

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4

Douglas County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cherry Creek South Metropolitan District No. 4
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Cherry Creek South Metropolitan District No. 4 (the 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position thereof, and the respective 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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 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 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 the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Economic Dependency

As disclosed in Note 12 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer of the District's service area for funding of continued operations.

Fiscal Focus Partners LLC

Arvada, Colorado
September 30, 2024

BASIC FINANCIAL STATEMENTS

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,134
Cash and Investments - Restricted	14,308
Due from Cherry Creek South MD No. 5	4,000
Receivable - County Treasurer	1
Prepaid Expenses	1,350
Property Taxes Receivable	389
Total Assets	23,182
LIABILITIES	
Accounts Payable	50,626
Noncurrent Liabilities:	
Due in More than One Year	219,187
Total Liabilities	269,813
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	389
Total Deferred Inflows of Resources	389
NET POSITION	
Restricted for:	
Emergency Reserves	10
Unrestricted	(247,030)
Total Net Position	\$ (247,020)

See accompanying Notes to Basic Financial Statements.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 163,684	\$ -	\$ -	\$ 47,610	\$ (116,074)
Total Governmental Activities	\$ 163,684	\$ -	\$ -	\$ 47,610	(116,074)
GENERAL REVENUES					
Property Taxes					184
Specific Ownership Taxes					17
Total General Revenues					201
CHANGE IN NET POSITION					(115,873)
Net Position - Beginning of Year, As Restated					(131,147)
NET POSITION - END OF YEAR					\$ (247,020)

See accompanying Notes to Basic Financial Statements.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

ASSETS	General	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 3,134	\$ -	\$ 3,134
Cash and Investments - Restricted	10	14,298	14,308
Due from Cherry Creek South MD No. 5	4,000	-	4,000
Receivable - County Treasurer	1	-	1
Property Taxes Receivable	389	-	389
Prepaid Expenses	1,350	-	1,350
	<u>\$ 8,884</u>	<u>\$ 14,298</u>	<u>\$ 23,182</u>
Total Assets	<u>\$ 8,884</u>	<u>\$ 14,298</u>	<u>\$ 23,182</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 33,129	\$ 17,497	\$ 50,626
Total Liabilities	33,129	17,497	50,626
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	389	-	389
Total Deferred Inflows of Resources	389	-	389
FUND BALANCES			
Nonspendable:			
Prepaid Expenses	1,350	-	1,350
Restricted:			
Emergency Reserves	10	-	10
Unassigned	(25,994)	(3,199)	(29,193)
Total Fund Balances (Deficit)	(24,634)	(3,199)	(27,833)
	<u>(24,634)</u>	<u>(3,199)</u>	<u>(27,833)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,884</u>	<u>\$ 14,298</u>	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Developer Advance Payable	(215,090)
Accrued Interest Payable - Developer Advance	(4,097)
	<u>(219,187)</u>

Net Position of Governmental Activities

	<u>\$ (247,020)</u>
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See accompanying Notes to Basic Financial Statements.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
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	\$ 184	\$ -	\$ 184
Specific Ownership Taxes	17	-	17
Transfers from CCSMD No. 5	-	47,610	47,610
Total Revenues	201	47,610	47,811
EXPENDITURES			
Accounting	43,967	4,263	48,230
Audit	6,600	-	6,600
County Treasurer's Fee	3	-	3
Directors' Fees	400	-	400
Dues	863	-	863
Election	3,423	-	3,423
Engineering	-	7,877	7,877
Insurance	9,063	-	9,063
Legal	43,989	38,669	82,658
Miscellaneous	1,404	-	1,404
Total Expenditures	109,712	50,809	160,521
REVENUES OVER (UNDER) EXPENDITURES	(109,511)	(3,199)	(112,710)
OTHER FINANCING SOURCES (USES)			
Developer Advance	128,919	-	128,919
Total Other Financing Sources (Uses)	128,919	-	128,919
NET CHANGE IN FUND BALANCES	19,408	(3,199)	16,209
Fund Balances - Beginning of Year	(44,042)	-	(44,042)
FUND BALANCES - END OF YEAR	\$ (24,634)	\$ (3,199)	\$ (27,833)

See accompanying Notes to Basic Financial Statements.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
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 Balance - Governmental Fund	\$ 16,209
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g., bonds, leases) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Developer Advances - Current Year	(128,919)
Accrued Interest on Developer Advances - Change in Liability	<u>(3,163)</u>

Change in Net Position of Governmental Activities	<u>\$ (115,873)</u>
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**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 184	\$ 184	\$ -
Specific Ownership Taxes	17	17	-
Total Revenues	<u>201</u>	<u>201</u>	<u>-</u>
EXPENDITURES			
Accounting	55,000	43,967	11,033
Audit	6,600	6,600	-
County Treasurer's Fee	3	3	-
Directors' Fees	600	400	200
Dues	1,500	863	637
Election	2,500	3,423	(923)
Insurance	9,000	9,063	(63)
Legal	80,000	43,989	36,011
Miscellaneous	1,400	1,404	(4)
Contingency	14,397	-	14,397
Total Expenditures	<u>171,000</u>	<u>109,712</u>	<u>61,288</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(170,799)	(109,511)	61,288
OTHER FINANCING SOURCES (USES)			
Developer Advance	170,799	128,919	(41,880)
Total Other Financing Sources (Uses)	<u>170,799</u>	<u>128,919</u>	<u>(41,880)</u>
NET CHANGE IN FUND BALANCE	-	19,408	19,408
Fund Balance - Beginning of Year	<u>10</u>	<u>(44,042)</u>	<u>(44,052)</u>
FUND BALANCE - END OF YEAR	<u>\$ 10</u>	<u>\$ (24,634)</u>	<u>\$ (24,644)</u>

See accompanying Notes to Basic Financial Statements.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Cherry Creek South Metropolitan District No. 4 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado under Title 32, Article I of the Colorado Revised Statutes, as amended (C.R.S.), was organized and approved by the eligible electors of the District at an election held on November 2, 2004, and an Order and Decree issued by the Douglas County District Court on November 9, 2004, and recorded in Douglas County real property records on November 18, 2004.

Simultaneously with the formation of the District, Cherry Creek South Metropolitan District Nos. 2-3 and 5-11 were also formed (together with the District, the Districts). Formation of the Districts was preceded by the approval of the Town of Parker, Colorado (the Town), on October 4, 2004, of a Consolidated Service Plan for the Cherry Creek South Metropolitan District Nos. 2-11 (the Original Service Plan). In 2016, Cherry Creek South Metropolitan District Nos. 2 and 3 (District Nos. 2 and 3) obtained approval of an Amended and Restated Consolidated Service Plan applicable to District Nos. 2 and 3 only and formed Anthology West Metropolitan District Nos. 4-6. District Nos. 2 and 3 and Anthology West Metropolitan District Nos. 4-6 now operate independently from Cherry Creek South Metropolitan District Nos. 4-11 (District Nos. 4-11 or the Other Cherry Creek South Metropolitan Districts).

In 2020, it was determined that District Nos. 4-6 shall operate independently from Cherry Creek South Metropolitan Districts Nos. 7-11, and on June 15, 2020, the Town Council of the Town approved separate Amended and Restated Service Plans for District Nos. 4-6 (as amended and restated, each a Service Plan, and collectively, the Service Plans).

The District will provide financing for design, acquisition, construction and installation, relocation and redevelopment of essential public-purpose facilities such as water, streets, traffic and safety controls, parks, open space and recreation, sewer and drainage facilities, public transportation, and the operation and maintenance of the District. The District's service area is located entirely within the boundaries of the Town of Parker, Douglas County, Colorado.

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.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 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 as general revenues.

Separate financial statements are provided for 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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.

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.

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.

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 always 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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

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 revenue is 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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted, and unrestricted.

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.

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

Deficits

The District reported a deficit in the fund financial statements as of December 31, 2023. The deficit will be eliminated with the receipt of funds advanced by the Developer and transfers from Cherry Creek South Metropolitan District No. 5 in 2024.

Restatement of Beginning Net Position

During 2021 and 2022, the District received capital assets totaling \$4,570,621 from Cherry Creek South Metropolitan District No. 5 based upon board approved resolutions accepting District eligible costs. Capital assets should be retained by Cherry Creek South Metropolitan District No. 5 until a resolution conveying public improvements is approved by the board. (See Note 7)

Net Position - December 31, 2022, as originally stated	\$ 4,439,474
Remove capital assets	(4,570,621)
Net Position - December 31, 2022, as restated	<u>\$ (131,147)</u>

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	\$ 3,134
Cash and Investments - Restricted	14,308
Total Cash and Investments	<u>\$ 17,442</u>

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 17,442
Total Cash and Investments	<u>\$ 17,442</u>

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

At December 31, 2023, the District's cash deposits had a bank and carrying balance of \$17,442.

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 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 no investments.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2023.

	Balance at December 31, 2022	Additions	Payments/ Reductions	Balance at December 31, 2023	Due Within One Year
Governmental Activities:					
Other Debts:					
Developer Advance Payable - Operations	\$ 86,171	\$ 128,919	\$ -	\$ 215,090	\$ -
Accrued Interest on Developer Advance - Operations	934	3,163	-	4,097	-
Total	<u>\$ 87,105</u>	<u>\$ 132,082</u>	<u>\$ -</u>	<u>\$ 219,187</u>	<u>\$ -</u>

The details of the District’s long-term obligations are described in Note 7 Related Parties.

NOTE 5 AUTHORIZED DEBT

At a special election of the eligible electors of the District on November 2, 2004, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing certain improvements and facilities such as streets, parks and recreation, water, sanitation, transportation, mosquito control, traffic and safety, fire protection, TV relay, and security, and for the purpose of refunding such indebtedness. On May 5, 2020, at an election of qualified electors of the District, a majority of those qualified to vote voted in favor of the issuance of District indebtedness and the imposition of taxes for the purpose of providing certain improvements and facilities and for the refunding of such indebtedness. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Amount Authorized on May 5, 2020	Authorized But Unissued
Streets	\$ 37,560,000	\$ 170,343,750	\$ 170,343,750
Parks and Recreation	59,280,000	170,343,750	170,343,750
Water	8,880,000	170,343,750	170,343,750
Sanitation	14,280,000	170,343,750	170,343,750
Transportation	-	170,343,750	170,343,750
Mosquito Control	-	170,343,750	170,343,750
Safety Protection	37,560,000	170,343,750	170,343,750
Fire Protection	-	170,343,750	170,343,750
TV Relay and Translation	-	170,343,750	170,343,750
Security	-	170,343,750	170,343,750
Operations and Maintenance	-	170,343,750	170,343,750
Intergovernmental Agreements	-	170,343,750	170,343,750
Private Agreements	-	170,343,750	170,343,750
In-District Special Assessment Debt	-	170,343,750	170,343,750
Refunding	130,000,000	1,703,437,500	1,703,437,500
Total	<u>\$ 287,560,000</u>	<u>\$ 4,088,250,000</u>	<u>\$ 4,088,250,000</u>

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 AUTHORIZED DEBT (CONTINUED)

In the future, the District may issue a portion or all of the remaining authorized but unissued debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any future debt issuances are not determinable.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

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, 2023, as follows:

Restricted Net Position:

Emergency Reserves	\$ 10
Total Restricted Net Position	<u>\$ 10</u>

The District has an unrestricted net position in the amount of \$(247,030). This deficit is mainly due to Developer Advances used for operating expenses.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Tanterra Development II, LLC, a Colorado limited liability company. The members of the Board of Directors of the District are officers, employees, or otherwise associated with the Developer or an entity affiliated with the Developer, and may have conflicts of interest in dealing with the District.

Amended and Restated Infrastructure Acquisition and Project Fund Disbursement Agreement (IAPFD - Tanterra)

The District, together with Cherry Creek South Metropolitan District Nos. 5 and 6, and Tanterra Development, LLC (Tanterra) entered into an Amended and Restated Infrastructure Acquisition and Project Fund Disbursement Agreement dated as of June 23, 2022 (IAPFD – Tanterra). The IAPFD – Tanterra terminates the Infrastructure Acquisition and Project Fund Disbursement Agreement (Prior Agreement) in its entirety and acknowledges that all amounts due and owing under the Prior Agreement shall become District Eligible Costs pursuant to the terms of IAPFD - Tanterra. The IAPFD - Tanterra establishes the terms and conditions for the reimbursement of District Eligible Costs for Public Infrastructure to be dedicated to other governmental entities, and for Public Infrastructure that is to be owned, operated and maintained by District No. 4. This agreement is terminated on March 14, 2023.

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 RELATED PARTIES (CONTINUED)

Infrastructure Acquisition and Project Fund Disbursement Agreement (IAPFD – Tanterra II)

The District, together with Cherry Creek South Metropolitan District Nos. 5 and 6, and Tanterra Development II LLC (Developer) entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement dated as of March 14, 2023 (IAPFD – Tanterra II), pursuant to which, among other matters, the District is to disburse proceeds of the Bonds on deposit in the Project Fund held under the Indenture to the Developer in payment of costs of Public Improvements, upon satisfaction of certain conditions set forth in the IAPFD Tanterra II.

The IAPFD – Tanterra II establishes the terms and conditions for the reimbursement of District Eligible Costs (defined therein) for Public Infrastructure to be dedicated to other governmental entities, and for Public Infrastructure that is to be owned, operated, and maintained by District No. 4. Pursuant to the terms thereof, the Developer may be reimbursed for Certified District Eligible Costs, including Public Infrastructure and funds advanced to or on behalf of the Districts for District Eligible Costs. In order for the Developer to obtain reimbursement, the IAPFD – Tanterra II requires submission of an application for acceptance of District Eligible Costs, cost certification by both a professional engineer and accountant engaged by District No. 5, subject to review by District No. 6, and adoption of a joint resolution by the District and District No. 6 to accept and certify the District Eligible Costs (defined as a District Acceptance Resolution). Within three business days of adoption of a District Acceptance Resolution, the District shall make a requisition in the amount of the Certified District Eligible Costs from the Project Fund held by the Trustee, which requisition shall direct that the Trustee make payment of the applicable amount directly to the Developer. The District obligations with respect to the payment of Certified District Eligible Costs shall be limited to amounts on deposit in the Project Fund and available for such purpose in accordance with the Indenture, and subject to the limitations of the Election, unless and until the District has identified (in its sole discretion) other sources of payment for such costs, it being acknowledged that the purpose of the District is to fund or reimburse the maximum amount of costs economically feasible. After adoption of a District Acceptance Resolution, District Eligible Costs shall only be reflected in the financial records of District No. 5. Additionally, the IAPFD – Tanterra II sets forth the process for District No. 4's acquisition of Public Improvements upon receipt of an application from the Developer, and subject to certain inspection rights, design certification and adoption of a District Acquisition Resolution by District No. 4. The Developer warrants the Public Infrastructure which is intended to be owned, operated, and maintained by District No. 4 for a period of two years from the date of the District Inspection Certification (defined therein).

Funding and Reimbursement Agreement (FRA - O&M)

The District entered into a Funding and Reimbursement Agreement with Tanterra Development II, LLC (Developer) dated April 17, 2023 (FRA – O&M). Pursuant to the agreement, the Developer agrees to loan to the District one or more sums of money, not to exceed the aggregate of \$50,000 per annum for two years, up to \$100,000 to pay operating expenses. The funds shall be available to the District through December 31, 2023. With respect to each loan advance, the interest rate shall be 2% per annum, from the date of the advance at simple interest. The term for repayment of any Reimbursement Obligation shall not extend beyond 20 years from the date of this agreement. The repayment of

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 RELATED PARTIES (CONTINUED)

Funding and Reimbursement Agreement (FRA - O&M) (Continued)

amounts due under this agreement are charges subject to annual appropriation by the District.

The First Amendment, dated December 11, 2023, changes the loan to the District to one or more sums of money, not to exceed the aggregate of \$200,000 per annum for two years, up to \$400,000. The funds shall be available to the District through December 31, 2024. As of December 31, 2023, the outstanding principal and interest was \$219,187. The amount consisted of principal in the amount of \$215,090 and interest in the amount of \$4,097.

Infrastructure Acquisition Agreement (Tanterra II) (IAA – Tanterra II)

The District entered into an Infrastructure Acquisition Agreement with Tanterra Development II, LLC (Developer) on October 16, 2023 (IAA – Tanterra II). The IAA – Tanterra II establishes the terms for the conveyance and acquisition of Public Infrastructure to be owned, operated, and maintained by the District. Pursuant to IAA – Tanterra II, Developer must complete and submit an "Application for Acquisition of Public Infrastructure" to the District. This application includes various supporting documents such as contracts, invoices, warranties, and construction drawings. Within 30 days of receiving a complete application, the District Engineer and a representative from Developer will jointly inspect the public infrastructure. This inspection ensures that the infrastructure complies with approved construction drawings, has been substantially constructed according to those drawings, and is fit for its intended purpose. If the infrastructure meets the required standards, the District Engineer will issue an Engineer's Design Certification. Within 14 days of the inspection, the District representative will notify the District in writing of the findings and provide a copy of the certification. If any defective work is identified during the inspection, the District representative will prepare a punch list of items requiring remedial action. Developer must complete the corrective work within 60 days of receiving the District Inspection Certification. A follow-up inspection will be conducted to ensure the defects have been addressed. If there are any disputes regarding the inspection findings or the need for corrective work, the parties will attempt to resolve them in good faith. If they cannot resolve the disputes within 30 days, they will submit the matter to an independent engineering firm for a binding decision. Within 45 days of receiving the District Inspection Certification, the District will adopt a resolution to acquire the infrastructure. The transfer will be completed within 60 days via special warranty deed and/or bill of sale. This process ensures that the public infrastructure meets the required standards before being acquired by the District and provides a clear framework for addressing any issues that may arise during the inspection and transfer process.

NOTE 8 AGREEMENTS

Amended and Restated Intergovernmental Agreement

On May 18, 2020, the District entered into an Amended and Restated Intergovernmental Agreement with the Town of Parker (Town IGA). The Town IGA generally provides, among other things, that the District will impose (a) the Infrastructure Capital Mill Levy (5 mills, subject to adjustment) and use the proceeds for Regional Infrastructure, (b) the Town

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS (CONTINUED)

Amended and Restated Intergovernmental Agreement (Continued)

Capital and Maintenance Mill Levy (5 mills, subject to adjustment) and use the proceeds for Town Infrastructure, and (c) the Operation and Maintenance Mill Levy (up to 10 mills subject to adjustment) and use the proceeds for the ongoing administrative and operating expenses of the District and for the maintenance of certain of the Regional Infrastructure.

The Town IGA specifies that the revenues from the Infrastructure Capital Mill Levy are to be used to construct Regional Infrastructure as follows: (a) regional stormwater and drainage improvements, (b) regional open space, regional trails, and other regional park and recreation improvements, and (c) construction and maintenance of roadways, including associated landscape improvements and traffic signals.

The Town IGA specifies that the revenues from the Town Capital and Maintenance Mill Levy are to be used for the planning, design, financing, acquisition, construction, operation, and maintenance of the following Town Infrastructure: (a) the Park Tract and all associated improvements to Planning Area 43, (b) all roadways, storm sewer and associated items constructed within Town right-of-way, (c) regional roadways serving the District, (d) all storm sewer, detention ponds, stream improvements and other stormwater conveyance infrastructure located on Town, HOA (defined below) or District-owned property that is eligible for maintenance assistance through the Town's Stormwater Utility, and (e) widening of Chambers Road to a full arterial roadway section through the Districts' boundaries, including additional lanes, sidewalk, curb and gutter, medians and all other associated items.

The Town IGA also imposes an aggregate debt limit on the District, together with Cherry Creek South Metropolitan District Nos. 4 and 6, of \$170,343,750, which is consistent with the debt limit set forth in the Service Plan.

The First Amendment, dated September 19, 2022, made changes to Exhibit C to include the following: Streetscape, including treelawn and median, located adjacent to Lot 1/Community Park Tract, as described in final plat for Tanterra Filing No. 1.

Master Intergovernmental Agreement

In accordance with the Service Plans, the Districts entered into an Intergovernmental Agreement dated as of November 9, 2021 (Master IGA), for the purpose of establishing their respective roles, responsibilities, and obligations with respect to the financing, construction, installation, ownership, operation, maintenance, and repair of the Public Improvements (to the extent not conveyed or dedicated to other governmental entities as more fully set forth in the Service Plans).

In accordance with the Master IGA, District No. 4 will own, operate, and maintain Public Improvements not otherwise required to be dedicated to the Town or other governmental entities or an owner's association, and will perform all operations and maintenance services and administrative services described therein (collectively defined as the Services). The Taxing Districts shall not own, operate, or maintain any Public Improvements unless otherwise agreed upon in writing by the Districts. The Districts agree that the conduct and control of the work and functions required by the Master IGA for the Services will lie solely

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS (CONTINUED)

Master Intergovernmental Agreement (Continued)

with District No. 4, which will be free to exercise reasonable discretion in the performance of its duties under the Master IGA.

District No. 4 also agrees to levy on all the taxable property within its boundaries an Operations and Maintenance Mill Levy of up to 10 mills, subject to the Mill Levy Adjustment, both as defined in the Service Plans, for the purpose of paying for all Service Costs (defined therein as the Maximum O&M Mill Levy). Notwithstanding the foregoing, the District and District No. 6 may elect to levy an Operations and Maintenance Mill Levy of up to 1 mill, subject to the Mill Levy Adjustment, and to perform their own administrative services as provided therein, in which case District No. 4's Maximum O&M Mill Levy shall be reduced by the number of mills imposed by the District and/or District No. 6, as applicable. In order to avoid overlapping mill levies, District No. 4 agrees it will not impose any debt service mill levy or issue any Debt (as defined therein) or impose an Infrastructure Capital Mill Levy or Town Capital and Maintenance Mill Levy, for so long as the District and District No. 6 are imposing the same. District No. 4 also agrees not to impose any Development Fee, as authorized by the Service Plans, for so long as District No. 5 or District No. 6 imposes a Development Fee. However, District No. 4 shall also be authorized to seek an amendment to its Service Plan to allow for District No. 4 to impose fees, rates, tolls, penalties, or charges for the purpose of funding the Service Costs.

District No. 5 will be responsible for issuing all Debt authorized under the Service Plans for the purpose of financing any or all of the Public Improvements benefiting the Districts. District No. 5 agrees to impose a debt service mill levy to pay debt service on all Debt, and District No. 6 agrees to impose a debt service mill levy to pay debt service on all Debt issued by District No. 5 and shall enter into the Pledge Agreement with District No. 5 to effectuate the pledge of revenues received by the District No. 6 debt service mill levy to District No. 5. The Taxing Districts also agree to impose the Infrastructure Capital Mill Levy and Town Capital and Maintenance Mill Levy. In order to avoid overlapping mill levies, for so long as the District is providing the Services, the Taxing Districts shall not impose an Operations and Maintenance Mill Levy. Additionally, the Taxing Districts shall not seek an amendment to their Service Plans to allow for any Taxing District to impose fees, rates, tolls, penalties, or charges.

Under the Master IGA, the District will approve the acceptance of any Public Improvements for ownership by the District, and District No. 5 will approve the acceptance of costs related to the provision of the Public Improvements eligible for reimbursement pursuant to the terms of any Developer Agreements, subject to review by District No. 6.

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

CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 RISK MANAGEMENT (CONTINUED)

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.

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. District No. 4 provides for the emergency reserve, equal to at least 3% of fiscal year spending as defined under TABOR, for the Districts.

The District's management has taken steps it believes are necessary to comply 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.

NOTE 11 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

SUPPLEMENTARY INFORMATION

**CHERRY CREEK SOUTH METROPOLITAN DISTRICT NO. 4
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfers from CCSMD No. 5	\$ 67,650,000	\$ 47,610	\$ (67,602,390)
Total Revenues	<u>67,650,000</u>	<u>47,610</u>	<u>(67,602,390)</u>
EXPENDITURES			
Accounting	-	4,263	(4,263)
Legal	-	38,669	(38,669)
Engineering	-	7,877	(7,877)
Capital Outlay	67,650,000	-	67,650,000
Total Expenditures	<u>67,650,000</u>	<u>50,809</u>	<u>67,599,191</u>
REVENUES OVER (UNDER) EXPENDITURES	-	(3,199)	(3,199)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (3,199)</u>	<u>\$ (3,199)</u>