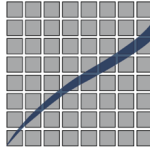


**FLYING HORSE METROPOLITAN  
DISTRICT NO. 1  
El Paso County, Colorado  
  
FINANCIAL STATEMENTS  
  
YEAR ENDED DECEMBER 31, 2024**

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**BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Flying Horse Metropolitan District No. 1**  
El Paso County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Flying Horse Metropolitan District No. 1 ("District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards

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

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

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

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

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 15, 2025

## **BASIC FINANCIAL STATEMENTS**

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2024**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 89,148
Cash and Investments - Restricted	38,900
Due from Other Districts - FHMD No. 2	290,068
Due from Other Districts - FHMD No. 3	90,063
Receivable from County Treasurer	35
Property Tax Receivable	4,569
Capital Assets:	
Capital Assets Not Being Depreciated	11,336,982
Capital Assets Net of Depreciation	1,256,764
Total Assets	13,106,529
<b>LIABILITIES</b>	
Accounts Payable	47,263
Noncurrent Liabilities:	
Due in More Than One Year	18,829,464
Total Liabilities	18,876,727
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	4,569
Unearned Revenue - FHMD No. 2 and No. 3	377,231
Total Deferred Inflows of Resources	381,800
<b>NET POSITION</b>	
Net Investment in Capital Assets	22,667
Restricted for:	
Emergency Reserve	38,900
Unrestricted	(6,213,565)
Total Net Position	\$ (6,151,998)

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2024**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Governmental Activities:					
General Government	\$ 1,541,490	\$ -	\$ -	\$ -	
Interest on Long-Term Debt and Related Costs	846,677	-	-	-	
Total Governmental Activities	\$ 2,388,167	\$ -	\$ -	\$ -	
<b>GENERAL REVENUES</b>					
Property Taxes				4,569	
Specific Ownership Taxes				429	
Intergovernmental Revenues - FHMD No. 2				977,930	
Intergovernmental Revenues - FHMD No. 3				253,636	
Other Revenue				61,898	
Total General Revenues and Transfers				1,298,462	
<b>CHANGES IN NET POSITION</b>				(1,089,705)	
Net Position - Beginning of Year				(5,062,293)	
<b>NET POSITION - END OF YEAR</b>				\$ (6,151,998)	

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2024**

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash and Investments	\$ 89,148	\$ 89,148
Cash and Investments - Restricted	38,900	38,900
Receivable from County Treasurer	35	35
Due from Other Districts - FHMD No. 2	290,068	290,068
Due from Other Districts - FHMD No. 3	90,063	90,063
Property Tax Receivable	4,569	4,569
Total Assets	\$ 512,783	\$ 512,783
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 47,263	\$ 47,263
Total Liabilities	47,263	47,263
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Tax	4,569	4,569
Unearned Revenue - FHMD No. 2 and No. 3	377,231	377,231
Total Deferred Inflows of Resources	381,800	381,800
<b>FUND BALANCES</b>		
Restricted for:		
Emergency Reserves	38,900	38,900
Unassigned	44,820	44,820
Total Fund Balances	83,720	83,720
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 512,783	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Net 12,593,746

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

Developer Advance Payable (18,829,464)

Net Position of Governmental Activities \$ (6,151,998)

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2024**

	General	Total Governmental Funds
<b>REVENUES</b>		
Property Taxes	\$ 4,569	\$ 4,569
Specific Ownership Taxes	429	429
Other Revenue	61,898	61,898
Intergovernmental Revenues - FHMD No. 2	977,930	977,930
Intergovernmental Revenues - FHMD No. 3	253,636	253,636
Total Revenues	1,298,462	1,298,462
<b>EXPENDITURES</b>		
Current:		
Accounting	38,791	38,791
Auditing	13,200	13,200
County Treasurer's Fee	69	69
District Management	16,615	16,615
Dues And Membership	1,192	1,192
Election	136	136
Insurance	445	445
Legal	23,294	23,294
Litigation	81,205	81,205
Miscellaneous	4,234	4,234
Repairs And Maintenance	395,372	395,372
Snow Removal	14,443	14,443
Stormwater fees	34,005	34,005
Utilities	374,534	374,534
Website	1,262	1,262
Total Expenditures	998,797	998,797
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	299,665	299,665
<b>OTHER FINANCING SOURCES (USES)</b>		
Developer Advance	4,234	4,234
Repay Developer Advance	(330,000)	(330,000)
Total Other Financing Uses	(325,766)	(325,766)
<b>NET CHANGE IN FUND BALANCES</b>	(26,101)	(26,101)
Fund Balances - Beginning of Year	109,821	109,821
<b>FUND BALANCES - END OF YEAR</b>	\$ 83,720	\$ 83,720

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ (26,101)

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.

    Depreciation Expense (212,693)

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 government funds. Neither transaction, however, has any effect on net position.

    Developer Advance (4,234)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

    Accrued Interest Payable Developer Advance - Change in Liability (846,677)

Changes in Net Position of Governmental Activities \$ (1,089,705)

**FLYING HORSE METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 4,569	\$ 4,569	\$ -
Specific Ownership Taxes	457	429	(28)
Other Revenue	-	61,898	61,898
Intergovernmental Revenues - FHMD No. 2	1,207,365	977,930	(229,435)
Intergovernmental Revenues - FHMD No. 3	362,284	253,636	(108,648)
Total Revenues	<u>1,574,675</u>	<u>1,298,462</u>	<u>(276,213)</u>
<b>EXPENDITURES</b>			
Accounting	45,500	38,791	6,709
Auditing	16,000	13,200	2,800
Contingency	23,750	-	23,750
County Treasurer's Fee	69	69	-
District Management	10,000	16,615	(6,615)
Dues And Membership	2,750	1,192	1,558
Election	-	136	(136)
Insurance	22,000	445	21,555
Legal	50,000	23,294	26,706
Litigation	100,000	81,205	18,795
Miscellaneous	-	4,234	(4,234)
Repairs And Maintenance	315,000	395,372	(80,372)
Snow Removal	35,000	14,443	20,557
Stormwater Fees	45,000	34,005	10,995
Utilities	400,000	374,534	25,466
Legal and other paid by District 2 & 3	16,000	-	16,000
Accounting/Management paid for Districts 2 & 3	44,000	-	44,000
Website	5,500	1,262	4,238
Total Expenditures	<u>1,130,569</u>	<u>998,797</u>	<u>131,772</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	444,106	299,665	(144,441)
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	-	4,234	4,234
Repay Developer Advance	(400,000)	(330,000)	70,000
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(325,766)</u>	<u>74,234</u>
<b>NET CHANGE IN FUND BALANCE</b>	44,106	(26,101)	(70,207)
Fund Balance - Beginning of Year	<u>12,839</u>	<u>109,821</u>	<u>96,982</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 56,945</u>	<u>\$ 83,720</u>	<u>\$ 26,775</u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Flying Horse Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Colorado Special District Act, was formed in 2004 to manage the construction of all facilities and improvements and for the operation and maintenance of all improvements not dedicated to the City of Colorado Springs, to include providing infrastructure of water, wastewater, streets, landscaping and other improvements for residents and businesses within the Flying Horse subdivision located in the City of Colorado Springs (the City).

On December 2, 2004, the District entered into an Intergovernmental Agreement (IGA) with Flying Horse Metropolitan District No. 2 (District No. 2) and Flying Horse Metropolitan District No. 3 (District No. 3). The IGA provides that the District is to operate, maintain, finance, and construct facilities benefiting the three districts, and that the District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The districts have agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. This agreement was amended on April 28, 2023. This agreement was terminated with the settlement agreement (see Note 7).

Beginning January 1, 2025, the District transferred all parks and open spaces located within the service areas to District No. 2. District No. 2 will own and maintain all the parks and open spaces located within the service areas of District No. 2 and District No. 3.

The District follows 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 operational 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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property 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 instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

The District reports the following major governmental funds:

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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

**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.

**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 property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Depreciation expense has been computed on the landscaping, parks and perimeter fencing using the straight-line method over estimated economic useful lives of 20 years and on parks and recreation over estimated economic useful lives of 25 years.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**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.

**Cost Recovery**

Costs incurred for the construction of Northgate Road within the Flying Horse subdivision have been approved by the City of Colorado Springs to be allocated to property owners with frontage along the road. The District is eligible for recovery of costs totaling approximately \$972,344. Based on accounting principles generally accepted in the United States of America, because there is no guarantee that such costs will ultimately be recovered, any amounts received by the District will not be recognized until the funds are received.

**Equity**

**Net Position**

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

Fund Balance

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

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

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

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

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

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

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments	\$ 89,148
Cash and Investments - Restricted	38,900
Total Cash and Investments	<u>\$ 128,048</u>

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

Deposits with Financial Institutions	\$ 128,048
Total Cash and Investments	<u>\$ 128,048</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.

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, 2024, the District's cash deposits had a bank balance and a carrying balance of \$128,048 respectively.

**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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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

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

As of December 31, 2024, the District had no investments.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2024, follows:

	Balance at December 31, 2023	Increases	Decreases	Balance at December 31, 2024
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 11,336,982	\$ -	\$ -	\$ 11,336,982
Total Capital Assets, Not Being Depreciated	11,336,982	-	-	11,336,982
Capital Assets, Being Depreciated:				
Parks and Recreation	1,108,526	-	-	1,108,526
Landscaping	3,367,030	-	-	3,367,030
Total Capital Assets, Being Depreciated	4,475,556	-	-	4,475,556
Less Accumulated Depreciation for:				
Accumulated Depreciation - Parks and Recreation	155,194	44,341	-	199,535
Accumulated Depreciation - Landscaping	2,850,905	168,352	-	3,019,257
Total Accumulated Depreciation	3,006,099	212,693	-	3,218,792
Total Capital Assets, Being Depreciated, Net	1,469,457	(212,693)	-	1,256,764
Governmental Activities Capital Assets, Net	<u>\$ 12,806,439</u>	<u>\$ (212,693)</u>	<u>\$ -</u>	<u>\$ 12,593,746</u>

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation expense in the amount of \$212,693 was charged to the general government function.

**NOTE 5 LONG-TERM OBLIGATIONS**

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

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Due Within One Year
Other Debts:					
Developer Advance - Operating	\$ 3,193,375	\$ 4,234	\$ -	\$ 3,197,609	\$ -
Developer Advance - Capital	11,471,033	-	-	11,471,033	-
Accrued Interest on:					
Developer Advance - Operating	2,658,522	256,480	330,000	2,585,002	-
Developer Advance - Capital	655,623	920,197	-	1,575,820	-
Subtotal Other Debts	<u>17,978,553</u>	<u>1,180,911</u>	<u>330,000</u>	<u>18,829,464</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 17,978,553</u>	<u>\$ 1,180,911</u>	<u>\$ 330,000</u>	<u>\$ 18,829,464</u>	<u>\$ -</u>

**Developer Advances**

The District has entered into Funding and Reimbursement Agreement with the Developer as follows:

**Funding and Reimbursement Agreement for Capital Costs**

The District has entered into a reimbursement agreement with Classic Development - Flying Horse, LLC (FH), the Developer. The proceeds from Developer advances have been used primarily to fund the expenditures related to establishing the infrastructure, which has been dedicated to the City of Colorado Springs. The note advances accrue interest at a rate of 8.00% per annum. As of December 31, 2024, outstanding principal for Capital advances totaled \$11,471,033 and accrued interest due totaled \$1,575,820.

**Funding and Reimbursement Agreement for Operations**

The District has entered into a reimbursement agreement with Classic Development - Flying Horse, LLC (FH), the Developer. The proceeds from Developer advances have been used primarily to fund the expenditures for operating and administrative expenses. The note advances accrue interest at a rate of 8.00% per annum. As of December 31, 2024, outstanding principal was \$3,197,609 and accrued interest due to the Developer was \$2,585,002.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
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**NOTE 5 LONG-TERM OBLIGATION (CONTINUED)**

**Debt Authorization**

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$129,000,000 for infrastructure improvements and operations, such debt to bear interest at a rate not in excess of 16% per annum. At December 31, 2024, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Authorization Used	Authorized But Unused
Street Improvements	\$ 30,000,000	\$ -	\$ 30,000,000
Water Supply	5,000,000	-	5,000,000
Sanitary Sewer	7,000,000	-	7,000,000
Mosquitos Control	1,000,000	-	1,000,000
Traffic and Safety	5,000,000	-	5,000,000
Television Relay	1,000,000	-	1,000,000
Transportation	500,000	-	500,000
Park and Recreation	15,000,000	-	15,000,000
Debt Refunding	64,500,000	-	64,500,000
Total	<u>\$ 129,000,000</u>	<u>\$ -</u>	<u>\$ 129,000,000</u>

Pursuant to the Consolidated Service Plan, at the time of the election forming the Districts are only permitted to issue debt up to \$75,000,000. 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 within the District's service area.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1  
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**NOTE 6 NET POSITION**

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2024, the District had net investment in capital assets calculated as follows:

	Governmental Activities	Business- Type Activities
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 1,256,764	\$ -
Noncurrent Portion of Outstanding Long-Term Obligations	(1,234,097)	-
Net Investment in Capital Assets	\$ 22,667	\$ -

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, 2024, as follows:

	Governmental Activities	Business- Type Activities
Restricted Net Position:		
Emergencies	\$ 38,900	\$ -
Total Restricted Net Position	\$ 38,900	\$ -

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 AGREEMENTS**

**Intergovernmental Agreements**

On December 2, 2004, the District (Operating District) entered into an Intergovernmental Agreement (IGA) with District No. 2 and District No. 3 (Financing Districts). The IGA provided that the District was to operate, maintain, finance, and construct facilities benefiting the three districts, and that District No. 2 and District No. 3 would contribute to the costs of construction, operation, and maintenance of such facilities. The districts agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. This agreement was amended on April 28, 2023.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
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**NOTE 7 AGREEMENTS**

**Intergovernmental Agreements (Continued)**

On November 5, 2024, this agreement was terminated per the terms of the settlement agreement.

**Settlement Agreement**

On September 11, 2024, the District and the Developer (see Note 7) entered into a settlement agreement with District No. 2 and District No. 3. Per the terms of the settlement agreement:

- Subject to, and effective upon satisfaction of the Condition's Precedent, and in consideration of the payment of the District No. 2 operations and maintenance balance and the District No. 3 operations and maintenance balance, and the making and performance of the 3 mill pledge per the pledge agreement, District No. 2 and District No. 3 shall have no further liability to pay the District for any additional amounts pursuant to the original IGA. Without limitation, District No. 2 and District No. 3 shall have no further liability to pay for any developer advances or any claimed costs under the original IGA, including any facilities certified pursuant to the April 2023 resolution. From and after the date of satisfaction of the condition's precedent, the only financial obligation District No. 2 and District No. 3 shall have to the District is the 3 mill pledge, which shall be performed in accordance with the terms of the pledge agreement.
- The District, Pulpit Rock and District No. 3 shall advise the Court in the organizational case that they have resolved their disputes relating to the motion to revoke, that the appeal is being dismissed with prejudice, and that the Settlement Agreement shall be made part of the record of the organizational case.
- The District agreed to enter into the 2024 Capital Pledge Agreement with FHMD No. 2 and FHMD No. 3 (see Capital Pledge Agreement below).
- FHMD No. 2, FHMD No. 3 and the Developer agreed to terminate the 2004 Acquisition Agreement.
- FHMD No. 2, FHMD No. 3 and the Developer agreed to terminate the 2004 Reimbursement Agreement.
- Each party agreed to release each of the other parties from all past, present and future claims, known and unknown as of the date of the Settlement Agreement – except for claims arising from the 2024 Facilities Acquisition Agreement and the 2024 Capital Pledge Agreement.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 AGREEMENTS (CONTINUED)**

**Capital Pledge Agreement**

On November 5, 2024, the District entered into a Capital Pledge Agreement with FHMD No. 2 and FHMD No. 3. FHMD No. 2 and FHMD No. 3 agreed to remit all tax revenue (including related specific ownership taxes less county treasurer collection fees) collected from a 3-mill levy to the District annually for 15 years beginning in 2024. For the year ended December 31, 2024, the District received \$307,131 and \$98,535 from FHMD No. 2 and FHMD No. 3, respectively.

**NOTE 8 RELATED PARTIES**

The Developer of the property which constitutes the District is FH, which is 100% owned by Elite Properties of America, Inc. (EPA). The members of the Board of Directors are officers, employees or associates of EPA and may have conflicts of interest in dealing with the District.

**NOTE 9 LAND INCLUSION**

On April 28, 2023, the District approved the inclusion of 23 acres of land that were previously included within District No. 2. This land is still subject to payment of property taxes to District No. 2 on its debt service mill levy as well as pledged facilities fees until District No. 2's Series 2020A Senior and Series 2020B Subordinate bonds are repaid.

On April 28, 2023, the District approved the inclusion of 46 acres of land that were previously included within District No. 3. This land is still subject to payment of property taxes to District No. 3 on its debt service mill levy until District No. 3's Series 2019 Bonds are repaid.

Both inclusions were approved on May 2, 2023, by the El Paso District Court.

**NOTE 10 RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 1**  
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**NOTE 10 RISK MANAGEMENT (CONTINUED)**

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

**NOTE 11 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

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.

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 likely require judicial interpretation.

**NOTE 12 LITIGATION**

On August 15, 2023, the District filed a lawsuit against District No. 2 and District No. 3 related to breach of the IGA discussed in Note 7. On September 10, 2023, District No. 2 and District No. 3 filed counterclaims against the District.

On September 11, 2024, the District entered into a settlement agreement with FHMD No. 2 and FHMD No. 3 to settle all disagreements, claims and litigations (see Note 7).