



LOWELL METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Erickson, Brown & Kloster, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lowell Metropolitan District
Colorado Springs, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lowell Metropolitan District (District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lowell Metropolitan District, as of December 31, 2022, and the respective changes in financial position 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lowell Metropolitan 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 opinion.

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 Lowell Metropolitan 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.

Auditors' 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 auditors' report that

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lowell Metropolitan 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 Lowell Metropolitan 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.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Lowell Metropolitan District will continue as a going concern. As discussed in Note 5 and Note 6 to the financial statements, the District was unable to make its full 2022 principal and interest payments on its limited tax general obligation bonds series 2004. The unpaid interest will be capitalized to the principal balance of the loan. The assessed property valuations have been lower than originally estimated when the bonds were issued due to economic conditions. This has resulted in the use of the debt reserve funds as well as a line of credit established by the developer. All available sources of liquidity have been used by the District, and only the future revenues will be available for future bond maintenance payments.

Based on current estimates, the District will be unable to meet future obligations when due, which will result in accrued interest that is accumulating faster than the District can pay it. Further, management is limited in its ability to develop a plan due to the fact that the District has no assets available to liquidate, and the service plan does not allow for additional debt to be issued. The absence of available sources of liquidity and increasing amounts of accrued interest, raise substantial doubt about the District's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is unmodified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado
September 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

Going Concern - The Lowell Metropolitan District (District) has no employees, and as such, they are heavily reliant on paid third party service providers to provide guidance to the Board of Directors. Management, as it is used in the Management Discussion and Analysis, refers to the Board of Directors.

Management assessed the current debt obligations and the District’s ability to continue as a going concern, and their response is below.

The District has a service plan mill levy limitation of 40 mills, subject to a current mill levy adjustment to 54.11 mills, of which 5 mills can be used for operating and maintenance expenses. The District is imposing its maximum Mill Levy, and pledging all “Pledged Revenues,” less the allowable administrative expenses, identified under the indenture to the payment of the Series 2004 Bonds (“Bond”), and therefore it is fulfilling such relevant covenants under the Bond indenture. Any full annual debt service not being made is not due to the District failing to perform a Bond covenant, but rather, is due to the impact of the lagging assessed valuation within the District when 49.11 mills of debt service is imposed. Bond holders cannot force the District to impose a mill levy beyond the already imposed maximum permitted Mill Levy.

Management evaluated the possibility of refunding the Bonds through discounted bond pricing. The District has engaged Piper Sandler & Co., and has begun the process to refinance the Series 2004 Bonds. The refinance is expected to occur by the end of 2023.

Dissolution of the District would occur only if the District has fulfilled the purpose it was created for, and its debt is current and being paid or has been discharged. The District could then seek dissolution with a plan for continued bonded debt service mill levy being imposed while the District stays in existence to such an extent as necessary to adequately provide for the payment of such outstanding debt. Conditions needed to be able to dissolve do not exist for the District at this time.

The District, by annually certifying its maximum mill levy and pledging all Pledged Revenue to the payment of the Bonds, is performing such covenants under the indenture. The District is imposing the maximum allowed mill levy and using 49.11 mills for debt along with the specific ownership tax revenue. The District will continue to perform its required indenture covenants, just like it has been doing since the Bonds were issued. The District will continue its existence, continue to impose its annual required mill levy, and continue to provide the trustee with the pledged revenues.

The District - The Lowell Metropolitan District is a quasi-municipal corporation and political subdivision of the State, organized pursuant to Title 32, Article 1, Sections 101 et seq. Colorado Revised Statutes, as amended. The District was formed in November 2000.

The District is located in the City of Colorado Springs and El Paso County, Colorado. The District is approximately four blocks from the center of the City’s downtown and is part of the City's South Central Downtown area, a downtown urban platted area that is the subject of the City's South Central Downtown Urban Renewal Plan approved by the City Council of the City on April 26, 1988, as amended. The Lowell Neighborhood possesses historic Victorian architectural sites which have been restored, including its 110-year-old architectural anchor, the Lowell School, which has been completely renovated and converted to an office building. The District currently contains approximately 58 acres.

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

The District - Continued

The District was organized primarily to finance the design, acquisition, installation and construction of water improvements, street improvements, public park and recreation/landscaping improvements and sanitary sewer improvements for the Development.

The Developer and the Development - Lowell Development Partners LLC (Developer), formed in 1998, was selected by the City to develop the Lowell Neighborhood development project, an urban redevelopment project in downtown Colorado Springs, Colorado (Development or Lowell Neighborhood). The boundaries of the Development and the District are virtually coterminous.

Prior to the District's formation, the Urban Renewal Authority of the City of Colorado Springs, Colorado (Renewal Authority) and the Developer, entered into an Agreement for Disposition and Redevelopment dated as of December 16, 1999, pursuant to which the Renewal Authority agreed to make payments from incremental property taxes, remitted to the Renewal Authority by the Treasurer of El Paso County to the Developer, for reimbursement of Developer's costs incurred in connection with the redevelopment of the Lowell Neighborhood.

In accordance with its Service Plan, the District was formed to provide public improvements to be dedicated to the City of Colorado Springs on behalf of Colorado Springs Utilities or to be retained by the District for the use and benefit of the District's property owners, inhabitants and taxpayers. The service plan of the District limits the debt and general mill levy of the District.

In 2000, the qualified electors approved debt authorization of \$11,000,000 to be used for construction of infrastructure. At this time, the service plan limits this authorization to an issuance of \$9,300,000.

In December 2004, the bonds were sold to a third party for \$9,300,000. As of December 31, 2022, the bonds had an outstanding principal balance of \$7,940,000.

OVERVIEW OF FINANCIAL STATEMENTS

The contents of this memorandum are intended to serve as an introduction to the District's basic financial statements.

Government-wide Financial Statements - The government-wide statement of net position and statement of activities are designed to provide readers with a broad overview of the District's finances using the economic resources measurement focus and accrual basis of accounting.

Revenues are recorded when earned and expenses are paid and recorded when a liability is incurred, regardless of the timing of the related cash flow.

The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets, together with all related liabilities, obligations, reserves and equities that are segregated for the purpose

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District uses a general fund to monitor its financial resources. The District adopts an annual appropriated budget for the fund. A budgetary comparison statement has been provided.

Comparative Statement of Net Position with Related Comments

Assets	2022	2021	Increase (Decrease)
Cash	\$ 10,273	\$ 17,576	\$ (7,303)
Other Assets	322,286	352,638	(30,352)
Total Assets	<u>\$ 332,559</u>	<u>\$ 370,214</u>	<u>\$ (37,655)</u>
Liabilities			
Annually Appropriated Reimbursement			
Obligations - Developer	\$ 1,269,783	\$ 1,269,783	\$ -
Other Liabilities	2,948,138	2,661,730	286,408
Bond Principle Due in One Year	2,152,000	2,060,000	92,000
Bond Payable	5,788,000	5,880,000	(92,000)
Total Liabilities	<u>\$ 12,157,921</u>	<u>\$ 11,871,513</u>	<u>\$ 286,408</u>
Deferred Inflows of Resources			
Property Taxes	\$ 320,345	\$ 350,748	\$ (30,403)
Net Position			
Restricted for Emergencies	\$ 29,120	\$ 27,950	\$ 1,170
Unrestricted (Deficit)	(12,174,827)	(11,879,997)	(294,830)
Total Net Position	<u>\$ (12,145,707)</u>	<u>\$ (11,852,047)</u>	<u>\$ (293,660)</u>

Cash – Cash decreased due to the timing of remittance to the debt service fund.

Other Assets – Property tax receivable increased due to increases in property assessments.

Other Liabilities – Scheduled unpaid interest was accrued.

Bonds Payable – No principal payments were made on the outstanding bond balance.

Net Position - Deficit increased approximately \$295,000 as a result of the loss from operations for the year. The loss from operations was primarily funded from increased accrued interest payable.

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Comparative Statement of Activities with Related Comments

Expense	2022	2021	(Increase) Decrease
General and Administrative	\$ 49,985	\$ 31,765	\$ (18,220)
County Treasurer Fee	5,033	4,246	(787)
Interest	575,650	575,650	-
Total Expense	630,668	611,661	(19,007)
Revenue			
Tax	334,660	312,580	(22,080)
Interest	2,348	890	(1,458)
Total Revenue	337,008	313,470	(23,538)
Change in Net Position	(293,660)	(298,191)	4,531
Net Position			
Beginning of the Year	<u>(11,852,047)</u>	<u>(11,553,856)</u>	<u>(298,191)</u>
End of the Year	<u><u>\$ (12,145,707)</u></u>	<u><u>\$ (11,852,047)</u></u>	<u><u>\$ (293,660)</u></u>

Tax Revenue – Property assessments increased for taxes collected in 2022.

Original and Final Budget

	Budgeted Amounts		
	Original	Final	Change
Revenue			
Taxes	\$ 385,923	\$ 385,923	\$ -
Interest Income	838	838	-
Total Revenue	386,761	386,761	-
Expenditure			
Debt Service	340,728	340,728	-
Other Expenditures	59,968	59,968	-
Total Expenditure	400,696	400,696	-
Revenue Under Expenditure	<u><u>\$ (13,935)</u></u>	<u><u>\$ (13,935)</u></u>	<u><u>\$ -</u></u>

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Budget and Actual Statement of Activities Comparison

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenue			
Taxes	\$ 385,923	\$ 334,660	\$ (51,263)
Interest Income	838	2,348	1,510
Total Revenue	<u>386,761</u>	<u>337,008</u>	<u>(49,753)</u>
Expenditure			
Debt Service	340,728	304,813	35,915
Other Expenditures	59,968	39,447	20,521
Total Expenditure	<u>400,696</u>	<u>344,260</u>	<u>56,436</u>
Revenue Under Expenditure	<u>\$ (13,935)</u>	<u>\$ (7,252)</u>	<u>\$ 6,683</u>

Taxes – Property tax and specific ownership tax received was lower than budgeted.

Debt Interest – Available funds for debt interest payment were lower than budgeted.

Requests for Information - Additional information or questions may be addressed to the Lowell Metropolitan District, 2154 East Commons Avenue, Suite 2000, Centennial, Colorado, 80122.

FINANCIAL STATEMENTS

LOWELL METROPOLITAN DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2022

	Governmental Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 7,283	\$ -	\$ 7,283
Cash with County Treasurer	2,990	-	2,990
Property Tax Receivable	320,345	-	320,345
Prepaid Expense	1,941	-	1,941
Total Assets	\$ 332,559	\$ -	\$ 332,559
LIABILITIES			
Accounts Payable	\$ 36,074	\$ -	\$ 36,074
Accrued Interest Payable	47,971	-	47,971
Past Due Interest	2,864,093	-	2,864,093
Bond Principle Due in One Year	2,060,000	92,000	2,152,000
Bonds Payable	-	5,788,000	5,788,000
Annually Appropriated Reimbursement Obligations - Developer	1,269,783	-	1,269,783
Total Liabilities	\$ 6,277,921	\$ 5,880,000	\$ 12,157,921
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 320,345	\$ -	\$ 320,345
FUND BALANCES			
Nonspendable	\$ 1,941	\$ (1,941)	-
Restricted for Emergencies	29,120	(29,120)	-
Unassigned	(6,296,768)	6,296,768	-
Total Fund Balances	(6,265,707)	6,265,707	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 332,559		
NET POSITION			
Restricted for Emergencies		29,120	29,120
Unrestricted Deficit		(12,174,827)	(12,174,827)
Total Net Position		\$ (12,145,707)	\$ (12,145,707)

See Notes to Financial Statements

**LOWELL METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Fund Balance Per the Governmental Fund Balance Sheet \$ (6,265,707)

**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 governmental fund; however, those liabilities are reported on the statement of net position. Such liabilities at year end consisted of:

Bonds Payable	<u>(5,880,000)</u>	
Total		<u>(5,880,000)</u>

Total Net Position Per Government-wide Financial Statements \$ (12,145,707)

LOWELL METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,
EXPENDITURE, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditure/Expense			
County Treasurer's Collection Fee	\$ 5,033	\$ -	\$ 5,033
Debt Service Expense	915,650	(340,000)	575,650
Accounting and Audit	26,856	-	26,856
Insurance	2,569	-	2,569
Legal	16,728	-	16,728
Continuing Disclosure Services	2,500	-	2,500
Trust Fees	1,325	-	1,325
Miscellaneous	7	-	7
Total Expenditure/Expense	<u>970,668</u>	<u>(340,000)</u>	<u>630,668</u>
Revenue			
Property Tax	298,098	-	298,098
Specific Ownership Tax	36,562	-	36,562
Interest	2,348	-	2,348
Total Revenue	<u>337,008</u>	<u>-</u>	<u>337,008</u>
Change in Fund Balance/Net Position	(633,660)	340,000	(293,660)
Fund Balance/Net Position			
Beginning of the Year	<u>(5,632,047)</u>	<u>(6,220,000)</u>	<u>(11,852,047)</u>
End of the Year	<u>\$ (6,265,707)</u>	<u>\$ (5,880,000)</u>	<u>\$ (12,145,707)</u>

See Notes to Financial Statements

**LOWELL METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balance - Governmental Fund \$ (633,660)

**Amounts Reported for Governmental Activities in the
Statement of Activities Are Different Because:**

Long term liabilities are not recorded in the fund financial statements, while amounts past due are recorded in the fund financial statements.

340,000

Change in Net Position \$ (293,660)

NOTES TO FINANCIAL STATEMENTS

LOWELL METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lowell Metropolitan District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

The District's annual financial reports include the accounts and funds of all District operations presented in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Going Concern Issues Arising from the Inability to Pay Material Obligations as They Become Due

Outside of the projected revenues for the District of approximately \$325,000, the District has no other available sources of liquidity and the District's debt service requirements and normal operating expenses significantly exceed that of projected revenue.

These conditions raise substantial doubt about the District's ability to continue as a going concern.

Despite these challenges, management intends to continue operations with the anticipation that as the economy improves, the ability to refinance the bonds will present itself.

History of the District and Reporting Entity

History - The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized pursuant to Title 32 Article 1, Sections 101 et seq Colorado Revised Statutes as amended (District Act). On November 7, 2000, the qualified electors voted in favor of the District's formation, elected its initial Board of Directors, and approved the debt and limited tax questions. On May 29, 2002, the El Paso County District Court issued a Court Order and Decree ordering and approving the organization of the District. On July 1, 2002, the District's Board of Directors held its first organizational meeting.

The District is located in the City of Colorado Springs (City) and El Paso County (County) Colorado.

The District was organized primarily to finance the design, acquisition, installation and construction of water improvements, street improvements, public park and recreation/landscaping improvements and sanitary sewer improvements (Facilities) for the Lowell Neighborhood Development Project (Project).

The Project is located approximately four blocks from the center of the City's downtown area and is part of the City's South Central Downtown Urban Renewal Plan.

Reporting Entity - The District is a special district, governed, under the terms of the District Act, as defined in the Colorado State Statutes, by an elected five-member Board, with four vacancies.

For financial reporting purposes, the District is a single unit entity, with a single purpose, and includes all funds for which it is financially accountable. The District has no component units for which it is responsible for reporting or controlling. The District does not exercise any power over any other entity.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

Government-wide Financial Statements - The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. The statement of activities demonstrates the degree to which program revenues are sufficient to cover the direct expenses of the District.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expense is recorded when a liability is incurred regardless of the timing of the related cash flow.

Governmental Fund Financial Statements - The accounts of the District report in a single general fund. Within the general fund are self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves, and equities, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental fund financial statements use the current financial measurement focus and the modified accrual basis of accounting. Revenue recognition is contingent on the measurable and available resources reported as current assets or available for use within one year. Taxpayer assessed income and gross receipts are “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are liabilities and reductions of revenue when they are measurable, and their validity seems certain.

Expenditures, under the modified accrual basis of accounting, recognize liabilities when incurred, regardless of when they are paid. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

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

Basis of Accounting - Basis of accounting refers to when revenue and expenditure/expense are recognized and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

Budgets and Budgetary Accounting - The budget process begins in the fall of each year. The District’s outsourced accounting firm submits a compiled budget for the fiscal year commencing the following January 1, to the Board of Directors. The budget reports the various funds reported within the general fund. The budget includes expenditures, any actual or estimated deficits, and the means of financing them. The District solicits comments from the public relating to the proposed budget. The District obtains any taxpayer comments. Prior to December 31, the Board legally enacts the budget.

The District has authorized the outsourced accounting firm to transfer budgeted amounts between line items of the District budget; however, the Board of Directors must approve any revisions that alter the total expenditures of the District.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Colorado Revised Statutes require that all governmental funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. All appropriations lapse at the end of each fiscal year. Appropriations may increase during the fiscal year provided unanticipated revenue offsets them.

Capital Assets - Capital assets are at historical cost. Improvements complete have been transferred to the City of Colorado Springs and any future improvements will also be turned over to the City of Colorado Springs, and other non-related third parties upon completion of the project. After turnover, maintenance and operation of the assets becomes the responsibility of the third parties. Accordingly, the District will relinquish control and ownership of all capital assets and recognize no depreciation.

Employee Benefits - The District contracts a third party to perform the management functions of the District and currently has no employees.

Fund Balance Classifications - The governmental funds present fund balances on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications available are as follows:

Non-Spendable - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be remaining intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.

Restricted - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed - includes amounts restricted for the specific purposes determined by the passage of a resolution of the District’s Board of Directors. Modifications or changes to commitments require the District’s Board of Directors approving a new resolution.

Assigned - includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District’s Board of Directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s balance.

Unassigned - this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position Classifications - The government-wide financial statements classify net position in the following categories:

Invested in Capital Assets, Net of Related Debt - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction, or improvement of capital assets.

Restricted Net Position - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted Net Position - this classification represents the remainder of net position that do not meet the definition of “invested in capital assets, net of related debt”, or “restricted net position”.

Fair Value of Financial Instruments - The District’s financial instruments include cash and cash equivalents, tax receivable, interest payable and bonds payable. Due to the current economic conditions affecting the District, the bond value on the balance sheet reflects amortized historical value, which may not approximate the fair value. The District estimates that the fair value of all other financial instruments at December 31, 2022, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

NOTE 1 – RESTRICTED CASH AND CASH EQUIVALENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine which public depositories are eligible on an annual basis. Eligible public depositories collateralize all deposited funds in excess of federal insurance according to the PDPA. PDPA allows the depository to create a single collateral pool for all public funds in excess of the FDIC. An independent depository must hold collateral funds and they must be equal to 102% of the aggregate uninsured deposits. The District has not adopted a formal deposit and investment policies; however, the District follows State Statues regarding deposits and investments.

The government categorizes deposits to give an indication of risk assumed by the government at the end of the year. The various categories are as follows: a) Uncollateralized; b) Collateralized with securities held by the pledging institution; c) Collateralized with securities held by the pledging institution’s trust department or agent but not in the depositor-government’s name.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – RESTRICTED CASH AND CASH EQUIVALENTS - Continued

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of bank failure, the Districts’ deposits may be lost, despite the PDPA collateralized funds. As of December 31, 2022, the District’s cash holdings did not exceed the FDIC insurance. Funds held by the treasurer are collateralized under the PDPA.

As of December 31, 2022, the District’s deposits are as follows:

	Carrying Amount		Bank Balance
Cash			
Insured (FDIC Insured)	\$ 7,283	\$	27,422
Cash Held by the Treasurer (PDPA)	2,990		2,990
	\$ 10,273	\$	30,412

NOTE 2 – CAPITAL ASSETS

As of December 31, 2007, the District had expended all construction-designated funds and had transferred the completed capital assets to the City.

NOTE 3 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved the Taxpayer’s Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all 9 local governments.

Some provisions of TABOR require further judicial interpretation. The District makes no representation as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs, or to engage in any subsequent financing activities.

TABOR also requires local governments to establish emergency reserve funds. The reserve funds are emergency funds equal to at least 3% of fiscal year spending, as defined in the statutes. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. TABOR emergency reserves cannot compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. As of December 31, 2022, the District has reserved approximately \$29,000 towards the TABOR emergency reserve requirements.

The District has assessed its compliance with TABOR and believes it is in material compliance.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – LONG-TERM DEBT

Long-term debt consists of limited tax general obligation bonds. The District was responsible for principal payments of \$340,000, \$320,000, \$300,000, \$280,000, \$260,000, \$240,000, \$225,000, and \$95,000 during the fiscal years ending December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015 respectively, which were not paid and are included in the bond principle due in one year on the Statement of Net Position. A summary of changes in long-term debt is as follows:

Beginning Balance	Additions	Payments	Ending Balance
\$ 7,940,000	\$ -	\$ -	\$ 7,940,000

Subsequent to the financial statement date, the District refinanced the bonds. See Note 6.

NOTE 6 – LIMITED TAX GENERAL OBLIGATION BONDS

On June 1, 2005, the District issued limited tax, general obligation bonds to provide funds for the acquisition and construction of improvement facilities located within the District and to finance other costs associated with issuing the bonds and organizing the District.

The Series 2004 Bonds (\$9,300,000 original issue) carry an interest rate of 7.25% principal and interest, payable semi-annually on June and December 1, commencing on June 1, 2005, and maturing on December 1, 2033. In 2011, the District issued the First Supplemental Trust Indenture. The bondholders of a majority of the aggregate principal amount of the bonds consented to and approved the First Supplemental Trust Indenture. The purpose of the First Supplemental Trust Indenture was to revise the mandatory sinking fund redemption schedule to reflect such redemption of the Series 2004 Bonds.

The bonds are subject to redemption prior-to maturity at the option of the District and are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption dates are the same as the principal debt service requirement dates.

Set forth in the following table are the debt service requirements for the Series 2004 bonds through maturity after issuance of the First Supplemental Trust Indenture, based on outstanding balances as of December 31, 2022.

Year	Principal	Interest	Total
Past Due	\$ 2,060,000	\$ 2,864,093	\$ 4,924,093
2023	365,000	575,650	940,650
2024	395,000	549,188	944,188
2025	425,000	520,550	945,550
2026	455,000	489,738	944,738
2027	485,000	456,750	941,750
2028-2033	3,755,000	1,904,575	5,659,575
	\$ 7,940,000	\$ 7,360,544	\$ 15,300,544

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – LIMITED TAX GENERAL OBLIGATION BONDS - Continued

Subsequent to the financial statement date, the District refinanced the Series 2004 bonds for general obligation limited tax refunding bonds (Series 2023A) and subordinated general obligation limited tax refund bonds (Series 2023B(3)). The Series 2023B(3) bond is a cash flow bond. The payments on the series 2023B(3) bonds are unstructured and can change depending on the revenue available.

The payment schedule on the Series 2023A bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 60,000	\$ 98,613	\$ 158,613
2024	65,000	217,800	282,800
2025	90,000	214,875	304,875
2026	100,000	210,825	310,825
2027	105,000	206,325	311,325
2028-2032	575,000	958,500	1,533,500
2033-2037	705,000	817,875	1,522,875
2038-2042	3,200,000	645,525	3,845,525
	<u>\$ 4,900,000</u>	<u>\$ 3,370,338</u>	<u>\$ 8,270,338</u>

The payment schedule on the Series 2023B(3) bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 32,000	\$ 75,656	\$ 107,656
2024	-	62,410	62,410
2025	-	72,366	72,366
2026	-	86,167	86,167
2027	-	85,031	85,031
2028-2032	-	643,252	643,252
2033-2037	-	940,850	940,850
2038-2042	-	1,318,543	1,318,543
2043-2047	199,000	1,515,938	1,714,938
2048-2052	1,600,000	413,525	2,013,525
	<u>\$ 1,831,000</u>	<u>\$ 5,213,738</u>	<u>\$ 7,044,738</u>

NOTE 7 – RECONCILIATION OF BUDGET TO ACTUAL

The District prepares its budget on a basis of accounting other than generally accepted accounting principles (GAAP). A reconciliation of the budgetary basis to GAAP is provided on the schedule of revenue, expenditure, and changes in fund balance (non-GAAP basis) and actual - general fund.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – CONTINGENCIES

The District constructed infrastructure assets, and as assets were completed, transferred the completed assets to the City and other non-related third parties. However, the 2004 Series bonds are exclusively the responsibility of the District, and do not constitute a debt or indebtedness by the City, the recipient of the assets constructed with the bond funds.

The District was liable for any construction defects for a period of one year after initial acceptance by the City for any water and sewer related assets, and for two years for street and drainage related assets. As of December 31, 2022, the District is not liable for any construction defects.

The District is also subject to compliance requirements as defined in the indentures of the 2004 Limited Tax General Obligation Bonds. As of December 31, 2022, management was not aware of any contingent liabilities arising from compliance issues with the general obligation bonds.

NOTE 9 – RELATED PARTIES AND POTENTIAL CONFLICT OF INTEREST

The District selected Lowell Development Partners LLC (Developer) to develop the Project. The members of the Board are either officers or employees of the Developer or have had other business or professional relationships with the Developer.

The Developer has funded the required bond reserve of \$1,252,000. As of December 31, 2022, the bond reserve was fully drawn. The Developer has no further obligations as it relates to the general obligation bonds.

The indenture assigns rights and options to the Developer. Among the rights assigned, is the right to issue subordinate debt for repayment of the costs for the funding of the reserve requirement and for other expenses incurred by the Developer not reimbursed. Further, the Developer obtained purchase option rights to land within the development. As of December 31, 2022, the Developer has not exercised these rights.

The Developer has made cash advances to the District. These advances are currently non-interest bearing and represent annually appropriated reimbursement obligations. The District does not impute interest due to the right of the Developer to request reimbursement of the accumulated interest relating to the reserve in the future. The payment of the debt is contingent on the Developer exercising his right to reimbursement, available surplus funds, and the extinguishment of the bonds per the indenture agreement. Given the current remote possibility of this happening, the District has made no estimates as to any potential liability relating to these rights.

Developer advance activity (line of credit) for the year ended December 31, 2022, is as follows:

Beginning Balance	Additions	Payments	Ending Balance
\$ 1,269,783	\$ -	\$ -	\$ 1,269,783

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to the financial statement date, the District refinanced the Series 2004 Bonds. See note 5 and 6.

Management has evaluated events through the date of the attached independent auditors' report, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**LOWELL METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURE, AND
CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenue				
Property Tax	\$ 353,423	\$ 353,423	\$ 298,098	\$ (55,325)
Specific Ownership Tax	32,500	32,500	36,562	4,062
Interest Income	838	838	2,348	1,510
Total Revenue	<u>386,761</u>	<u>386,761</u>	<u>337,008</u>	<u>(49,753)</u>
Expenditure				
County Treasurer's Collection Fee	6,182	6,182	5,033	1,149
Accounting and Audit	24,250	24,250	15,457	8,793
Insurance	2,236	2,236	2,569	(333)
Legal	22,000	22,000	12,556	9,444
Continuing Disclosure Services	2,500	2,500	2,500	-
Trustee Fees	2,650	2,650	1,325	1,325
Miscellaneous	150	150	7	143
Debt Service	340,728	340,728	304,813	35,915
Total Expenditure	<u>400,696</u>	<u>400,696</u>	<u>344,260</u>	<u>56,436</u>
Revenue Under				
Expenditure (Non-GAAP Basis)	<u>\$ (13,935)</u>	<u>\$ (13,935)</u>	(7,252)	<u>\$ 6,683</u>
GAAP Adjustments				
Accounts Payable			(15,571)	
Past Due Principal and Interest			<u>(610,837)</u>	
Revenue Over (Under)				
Expenditure (GAAP Basis)			(633,660)	
Fund Balance				
Beginning of the Year			<u>(5,632,047)</u>	
End of the Year			<u>\$ (6,265,707)</u>	

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

**LOWELL METROPOLITAN DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

Lowell Metropolitan District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

The budget process begins in the fall of each year. The District's outsourced accounting firm submits a compiled budget, for the fiscal year commencing the following January 1 to the Board of Directors. The budget reports the various funds reported within the general fund. The budget includes expenditures, any actual or estimated deficits, and the means of financing them. The District solicits comments from the public relating to the proposed budget. The District obtains any taxpayer comments. Prior to December 31, the Board legally enacts the budget. The General Fund uses the cash basis of accounting in preparing the budget.

The District has authorized the outsourced accounting firm to transfer budgeted amounts between line items of the District budget; however, the Board of Directors must approve any revisions that alter the total expenditures of the District.

Colorado Revised Statutes require that all governmental funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. All appropriations lapse at the end of each fiscal year.