

**TOWER METROPOLITAN DISTRICT  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**TOWER METROPOLITAN DISTRICT  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2022**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>26</b>
<b>CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES,     EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND     ACTUAL</b>	<b>27</b>
<b>OTHER INFORMATION</b>	
<b>SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY</b>	<b>29</b>
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>30</b>

Independent Auditors' Report

Board of Directors  
Tower Metropolitan District  
Adams County, Colorado

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Tower Metropolitan District (the “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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Tower Metropolitan District as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional 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**

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

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary schedules and property tax information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated in all material respects in relation to the financial statements as a whole.

## Other Information

Management is responsible for the continuing disclosure annual financial information included in the annual report. The continuing disclosure annual financial information comprises of the schedules as listed in the table of contents but does not include the basic financial statements and our auditor's report there on. Our opinions on the basic financial statements do not cover the continuing disclosure annual financial information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Simmons & Walsh P.C.*

Englewood, CO  
July 11, 2023

## **BASIC FINANCIAL STATEMENTS**

**TOWER METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,729,519
Cash and Investments - Restricted	833,738
Cash in Escrow	177,878
Receivable - County Treasurer	23,609
Receivable - Tower Business Improvement District	445
Property Tax Receivable	4,389,462
Prepaid Expenditure	5,404
Capital Assets, Not Being Depreciated	7,433,033
Capital Assets, Net of Accumulated Depreciation	<u>11,716,633</u>
Total Assets	<u>27,309,721</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Bond Refunding	<u>98,680</u>
Total Deferred Outflows of Resources	98,680
<b>LIABILITIES</b>	
Accounts Payable and Retainage Payable	733,840
Accrued Interest Payable	38,013
Noncurrent Liabilities:	
Due Within One Year	325,000
Due in More Than One Year	<u>14,854,000</u>
Total Liabilities	<u>15,950,853</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>4,389,462</u>
Total Deferred Inflows of Resources	<u>4,389,462</u>
<b>NET POSITION</b>	
Net Investments in Capital Assets	12,612,446
Restricted for:	
Emergency Reserves	86,000
Restricted For:	
Capital Project Escrow	177,878
Drainage	711,772
Unrestricted	<u>(6,520,010)</u>
Total Net Position	<u><u>\$ 7,068,086</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
Primary Government:				
General Government	\$ 4,084,066	\$ -	\$ -	\$ (4,084,066)
Capital Outlay Conveyed to Other Governments	-	-	-	-
Interest and Fees on Long-Term Debt to Other Governments	599,555	-	3,072,000	2,472,445
Total Governmental Activities	\$ 4,683,621	\$ -	\$ 3,072,000	(1,611,621)
<b>GENERAL REVENUES</b>				
Property Taxes				3,422,958
Property Taxes - ARI				181,490
Specific Ownership Taxes				266,265
Net Investment Income				94,456
Other Revenue				255
Intergovernmental Income				852,020
Total General Revenues				4,817,444
<b>CHANGE IN NET POSITION</b>				3,205,823
Net Position - Beginning of Year				3,862,263
<b>NET POSITION - END OF YEAR</b>				\$ 7,068,086

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,729,519	\$ -	\$ -	\$ 2,729,519
Cash and Investments - Restricted	86,000	35,966	711,772	833,738
Cash in Escrow	-	-	177,878	177,878
Receivable - County Treasurer	23,114	495	-	23,609
Receivable - Tower Business Improvement District	445	-	-	445
Prepaid Expenditure	5,404	-	-	5,404
Property Tax Receivable	3,289,463	1,099,999	-	4,389,462
Total Assets	\$ 6,133,945	\$ 1,136,460	\$ 889,650	\$ 8,160,055
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 83,920	\$ 3,000	\$ 371,257	\$ 458,177
Due to ARI	178,779	-	-	178,779
Retainage Payable	-	-	96,884	96,884
Total Liabilities	262,699	3,000	468,141	733,840
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Tax Revenue	3,289,463	1,099,999	-	4,389,462
Total Deferred Inflows of Resources	3,289,463	1,099,999	-	4,389,462
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Insurance	5,404	-	-	5,404
Restricted for:				
Emergency Reserve	86,000	-	-	86,000
Debt Service	-	33,461	-	33,461
Restricted For:				
Capital Projects Escrow	-	-	177,878	177,878
Drainage	-	-	711,772	711,772
Assigned to:				
Subsequent Year's Expenditures	1,595,713	-	-	1,595,713
Unassigned	894,666	-	(468,141)	426,525
Total Fund Balances	2,581,783	33,461	421,509	3,036,753
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,133,945	\$ 1,136,460	\$ 889,650	

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 fund financial statements.

19,149,666

Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements.

    Cost of Bond Refunding

98,680

Long-term liabilities are not due and payable in the current period and, therefore, are not reflected in the fund financial statements.

    Loans Payable

(15,179,000)

    Accrued Interest on Loans Payable

(38,013)

Net Position of Governmental Activities

\$ 7,068,086

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 2,513,329	\$ 909,629	\$ -	\$ 3,422,958
Property Taxes - ARI	181,490	-	-	181,490
Specific Ownership Tax	266,265	-	-	266,265
Net Investment Income	79,688	6,104	8,664	94,456
Other Revenue	255	-	-	255
Intergovernmental Revenue	-	592,020	260,000	852,020
Reimbursement from Aurora	-	3,072,000	-	3,072,000
Total Revenues	<u>3,041,027</u>	<u>4,579,753</u>	<u>268,664</u>	<u>7,889,444</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	86,636	-	-	86,636
ARI Reimbursement	178,779	-	-	178,779
Audit	5,400	-	-	5,400
County Treasurer's Fee	37,819	13,591	-	51,410
County Treasurer's Fee - ARI	2,712	-	-	2,712
Directors' Fees	4,600	-	-	4,600
Dues and Licenses	932	-	-	932
Election Expense	2,086	-	-	2,086
Insurance and Bonds	3,723	-	-	3,723
Landscape Maintenance	226,915	-	-	226,915
Legal	44,469	-	-	44,469
Maintenance and Repairs	5,474	-	-	5,474
Meeting Expenses	677	-	-	677
Miscellaneous	8,796	-	-	8,796
Payroll Expense	1,151	-	-	1,151
Property Management	31,603	-	-	31,603
Security	105,350	-	-	105,350
Snow Removal	22,356	-	-	22,356
Utilities - Irrigation System	102,591	-	-	102,591
Debt Service:				
Bond Principal Payments - Series 2014A	-	235,000	-	235,000
Bond Principal Payments - Series 2014B	-	80,000	-	80,000
Bond Principal Payments - Series 2020A	-	5,796,000	-	5,796,000
Interest Expense - Series 2014A	-	216,997	-	216,997
Interest Expense - Series 2014B	-	66,974	-	66,974
Interest Expense - Series 2020A	-	201,970	-	201,970
Non-Use Fee	-	37,505	-	37,505
Paying Agent/Remarketing Fees	-	3,000	-	3,000
Capital Improvements	-	-	4,414,600	4,414,600
Total Expenditures	<u>872,069</u>	<u>6,651,037</u>	<u>4,414,600</u>	<u>11,937,706</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,168,958	(2,071,284)	(4,145,936)	(4,048,262)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	2,000,000	2,000,000
Transfer (to) from Other Funds	(2,316,105)	3,000	2,313,105	-
Total Other Financing Sources (Uses)	<u>(2,316,105)</u>	<u>3,000</u>	<u>4,313,105</u>	<u>2,000,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(147,147)	(2,068,284)	167,169	(2,048,262)
Fund Balances - Beginning of Year	<u>2,728,930</u>	<u>2,101,745</u>	<u>254,340</u>	<u>5,085,015</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,581,783</u>	<u>\$ 33,461</u>	<u>\$ 421,509</u>	<u>\$ 3,036,753</u>

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Net Changes in Fund Balances - Total Governmental Funds \$ (2,048,262)

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. This is the amount related to capital outlay in the current period.

Capital Outlay	1,596,928
Depreciation Expense	(394,325)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Current Year Loan Principal Payment	6,111,000
Amortization of Cost of Refunding - 2005 Bonds	(52,635)
Loan Proceeds	(2,000,000)

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

Accrued Interest on Loans - Change in Liability	(6,883)
---	---------

Change in Net Position of Governmental Activities	\$ 3,205,823
---	--------------

**TOWER METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 2,566,841	\$ 2,566,841	\$ 2,513,329	\$ (53,512)
Property Taxes - ARI	183,503	183,503	181,490	(2,013)
Specific Ownership Taxes	256,904	256,904	266,265	9,361
Other Income	3,000	3,000	255	(2,745)
Investment Income	7,000	7,000	79,688	72,688
Total Revenues	<u>3,017,248</u>	<u>3,017,248</u>	<u>3,041,027</u>	<u>23,779</u>
<b>EXPENDITURES</b>				
Accounting	105,000	105,000	86,636	18,364
ARI Reimbursement	180,750	180,750	178,779	1,971
Audit	5,400	5,400	5,400	-
Contingency	15,494	15,744	-	15,744
County Treasurer's Fee	38,503	38,503	37,819	684
County Treasurer's Fee - ARI	2,753	2,753	2,712	41
Directors' Fees	10,000	10,000	4,600	5,400
Donations	600	600	-	600
Dues and Licenses	1,000	1,000	932	68
Election Expense	1,500	1,500	2,086	(586)
Insurance and Bonds	3,000	3,750	3,723	27
Landscape Maintenance	255,000	230,000	226,915	3,085
Legal	66,000	66,000	44,469	21,531
Maintenance and Repairs	15,000	15,000	5,474	9,526
Meeting Expenses	4,000	4,000	677	3,323
Miscellaneous	5,000	9,000	8,796	204
Payroll Expense	3,000	3,000	1,151	1,849
Property Management	40,000	40,000	31,603	8,397
Security	145,000	145,000	105,350	39,650
Snow Removal	10,000	25,000	22,356	2,644
Utilities - Irrigation System	100,000	105,000	102,591	2,409
Total Expenditures	<u>1,007,000</u>	<u>1,007,000</u>	<u>872,069</u>	<u>134,931</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,010,248	2,010,248	2,168,958	158,710
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds	<u>(2,153,900)</u>	<u>(2,320,000)</u>	<u>(2,316,105)</u>	<u>3,895</u>
Total Other Financing Sources (Uses)	<u>(2,153,900)</u>	<u>(2,320,000)</u>	<u>(2,316,105)</u>	<u>3,895</u>
<b>NET CHANGE IN FUND BALANCE</b>	(143,652)	(309,752)	(147,147)	162,605
Fund Balance - Beginning of Year	<u>2,738,951</u>	<u>2,738,951</u>	<u>2,728,930</u>	<u>(10,021)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,595,299</u>	<u>\$ 2,429,199</u>	<u>\$ 2,581,783</u>	<u>\$ 152,584</u>

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Tower Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court of Adams County on March 5, 1980 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the City of Aurora, Adams County, Colorado (the City). The District was established for the purpose of constructing streets, curbs, gutters, and related facilities on the property within the District's boundaries. Construction has been financed through the issuance of general obligation bonds. Title to improvements constructed by the District is generally conveyed to the City of Aurora within 13 months of completion. When all improvements are completed, the District will continue primarily for the purpose of retiring its outstanding indebtedness and providing streetscape maintenance, covenant control, and security maintenance.

Effective October 7, 2019, the City approved the Tower Metropolitan District service plan dated July 1, 2019. The service plan allows the District to operate and maintain certain public improvements, including, but not limited to internal streets, common driveways and land, and streetscape associated with those improvements. The District has the ability to increase its mill levy as necessary for provisions of operations and maintenance services to its taxpayers and service users.

The service plan limits the District's total debt to \$50,000,000, with a 40-year repayment term. If the District's debt to assessed valuation ratio exceeds 50%, than a debt service mill levy limitation applies. If all \$50,000,000 was issued as of year-end, the District's debt to assessed valuation ratio would be less than 50%.

The service plan obligates the District to impose an ARI mill levy to contribute to the funding of Aurora Regional Improvements beginning the first year of the imposition of a debt service mill levy. The ARI mill levy will be imposed as follows:

Year 1 – 20	1.0 Mills
Year 21 Through Repayment of Debt Incurred for Public Improvements	1.5 Mills

For five years thereafter, the lesser of 20 mills or a mill levy equal to the average debt service mill levy imposed by the District in the ten years prior to the date of repayment of the debt issued for Public Improvements.

The District issued debt for public improvements in 2020. The District did not certify an ARI mill levy for the collection budget year 2021 as certification of an ARI mill levy was not applicable to 2021 collection related to service plan adoption. The District certified an ARI mill levy for collection budget year 2022 of 1.000 mills.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)**

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

The District has one employee, and all operations and administrative functions are contracted except for covenant enforcement.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

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

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Budgets**

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

The District has amended its annual budget for the year ended December 31, 2022.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Pooled Cash and Investments**

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

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is 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 a deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Land improvements include expenditures for clearing the land, landscaping, changing the contour of the earth by moving and filling, detention ponds, and planting trees and shrubbery. Those costs are considered permanent improvements to the land and are not depreciable.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Capital Assets (Continued)**

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

Lighting	15 Years
Irrigation	15 Years
Box Culvert	15 Years
Signs	25 Years
Waterline	40 Years
Streets	40 Years
Fire Line	40 Years
Median Landscaping – Construction	20 Years

**Amortization**

**Cost of Bond Refunding**

In the government-wide financial statements the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

**Deferred Inflow/Outflow of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of bond refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

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

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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.

**Deficits**

The Capital Projects Fund reported a deficit in the unassigned fund balance as of December 31, 2022. The District will utilize a combination of General Fund transfers and loan proceeds to obtain a positive unassigned fund balance in the Capital Projects Fund.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments	\$ 2,729,519
Cash in Escrow	177,878
Cash and Investments - Restricted	<u>833,738</u>
Total Cash and Investments	<u><u>\$ 3,741,135</u></u>

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

Deposits with Financial Institutions	\$ 118,726
Investments	<u>3,622,409</u>
Total Cash and Investments	<u><u>\$ 3,741,135</u></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.

At December 31, 2022, the District's cash deposits had a bank balance and a carrying balance as follows:

	Bank Balance	Carrying Balance
Insured Deposits	\$ 118,726	\$ 118,726
Total	<u>\$ 118,726</u>	<u>\$ 118,726</u>

**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 disclosure requirements for investments that are in the possession of another party.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Investments (Continued)**

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

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

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

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 892,436
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	2,729,973
Total		<u>\$ 3,622,409</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**CSAFE (Continued)**

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CAPITAL ASSETS**

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

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
Capital Assets, Not Being Depreciated:				
Detention Pond	\$ 1,270,587	\$ -	\$ -	\$ 1,270,587
Irondale Gulch Ponds	2,603,369	-	-	2,603,369
Median Landscaping	774,404	-	-	774,404
ROW Landscaping	16,577	-	-	16,577
Monument Landscaping	-	23,543	-	23,543
Drainage Improvements	517,024	-	-	517,024
Construction in Process	8,696,357	839,802	7,308,630	2,227,529
Total Capital Assets, Not Being Depreciated	13,878,318	863,345	7,308,630	7,433,033
Capital Assets, Being Depreciated:				
Fire Line	354,431	-	-	354,431
Lighting	49,898	-	-	49,898
Signs	211,915	33,485	-	245,400
Irrigation System	208,274	-	-	208,274
Median Landscaping - Concrete	292,859	-	-	292,859
Pump House	282,898	-	-	282,898
Waterline	491,701	-	-	491,701
Streets	1,453,869	8,008,728	-	9,462,597
Box Culvert	1,569,099	-	-	1,569,099
Total Capital Assets, Being Depreciated	4,914,944	8,042,213	-	12,957,157
Less Accumulated Depreciation For:				
Fire Line	(25,114)	(8,860)	-	(33,974)
Lighting	(8,885)	(3,326)	-	(12,211)
Signs	(106,312)	(9,320)	-	(115,632)
Irrigation System	(107,475)	(13,885)	-	(121,360)
Median Landscaping - Concrete	(109,822)	(14,643)	-	(124,465)
Pump House	(28,290)	(9,430)	-	(37,720)
Waterline	(92,195)	(12,293)	-	(104,488)
Streets	(158,891)	(217,961)	-	(376,852)
Box Culvert	(209,215)	(104,607)	-	(313,822)
Total Accumulated Depreciation	(846,199)	(394,325)	-	(1,240,524)
Total Capital Assets, Being Depreciated, Net	4,068,745	7,647,888	-	11,716,633
Capital Assets, Net	<u>\$ 17,947,063</u>	<u>\$ 8,511,233</u>	<u>\$ 7,308,630</u>	<u>\$ 19,149,666</u>

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation Expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General Government	\$ 394,325
Total Depreciation Expense - Governmental Activities	<u>\$ 394,325</u>

**NOTE 5 LONG-TERM OBLIGATIONS**

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

	Balance - December 31, 2021	Additions	Retirements/ Adjustments	Balance - December 31, 2022	Due Within One Year
Governmental Activities:					
Notes from Direct Borrowings and Direct Placements:					
Tax-Free Loan Refunding Issue Series 2014A	\$ 8,630,000	\$ -	\$ 235,000	\$ 8,395,000	\$ 240,000
Taxable Loan Refunding Issue Series 2014B	2,910,000	-	80,000	2,830,000	85,000
Tax-Free Loan Issue Series 2020	7,750,000	2,000,000	5,796,000	3,954,000	-
Total	<u>\$ 19,290,000</u>	<u>\$ 2,000,000</u>	<u>\$ 6,111,000</u>	<u>\$ 15,179,000</u>	<u>\$ 325,000</u>

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$567,865, which has been deferred and is being amortized over the life of the 2014 loan.

**General Obligation Tax Exempt Refunding Loans (the 2014 Loans)**

On December 30, 2014, the District issued \$9,995,000 in a General Obligation Tax-Exempt Refunding Loan (2014A Loan) and \$3,370,000 in a General Obligation Taxable Refunding Loan (2014B Loan), (collectively, the 2014 Loans). The 2014B Loan was converted to a tax-exempt loan on January 15, 2015.

The 2014 Loans are term loans due on December 30, 2024, with a fixed interest rate of 2.48% for the 2014A Loan and an initial interest rate of 3.380% for the 2014B Loan. On January 15, 2015, the interest rate on the 2014B Loan was converted to a fixed rate of 2.27%. Interest is paid semiannually on June 1 and December 1. The 2014 Loans are subject to mandatory sinking redemptions due on December 1 of each year. The 2014 Loans both have a balloon payment of the remaining outstanding principal due on December 30, 2024. The District may, at its option, prepay all or any part of the principal of the Loans on a principal payment date, upon payment of par, accrued interest and a prepayment fee for any prepayments made prior to December 1, 2024.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Tax Exempt Refunding Loans (the 2014 Loans) (Continued)**

The occurrence of any one or more of the following events, or those listed in the Loan Agreement, shall constitute an event of default: (i) the District fails or refuses to impose the required mill levy or apply pledged revenue as required by the loan agreement; (ii) the District fails to pay the principal of or interest on the 2014 Loans when due; (iii) the District fails to observe or perform any of the covenants, agreements or conditions in the Loan Agreement or other Financing Documents. In the event of default the Bank may exercise any and all remedies available under the Custodial Agreement; provided however, acceleration shall not be a remedy for an event of default.

**General Obligation Loan 2020 (the 2020 Loan)**

The District entered into a Loan Agreement with U.S. Bank National Association (the Bank) on August 19, 2020, in the aggregate original principal amount of not to exceed \$20,000,000 (the 2020 Loan Agreement). The Initial Advance on the 2020 Loan was extended to the District on the Closing Date of the 2020 Loan in the amount of \$227,000.

The proceeds of the Initial Advance of the 2020 Loan were used to pay the costs of issuing the 2020 Loan. Any remaining amounts of the Initial Advance will be transferred to the Project Fund to finance and reimburse costs of public improvements.

The District had an unused line of credit in the amount of \$16,046,000 as of December 31, 2022, with the Bank related to the 2020 Loan.

Each Advance on the 2020 Loan bears interest at an annual rate equal to 1.10%, plus the greater of (i) 0%, and (ii) 85% of the One-Month LIBOR Rate, payable semi-annually to the extent of Pledged Revenue available on June 1 and December 1, beginning on December 1, 2020. On February 1, 2023 the District amended the Loan Agreement to replace the One-Month LIBOR Rate with the Daily Simple SOFR Rate. Annual payments of principal are due on December 1, commencing on December 1, 2020. The 2020 Loan matures on December 30, 2024. Interest is calculated on the basis of a 360-day year and actual number of days elapsed. Interest not paid when due shall compound on each Interest Payment Date at the rate of interest then borne by the 2020 Loan.

Principal on the 2020 Loan is due and payable on the Maturity Date. If the District receives a payment from the City pursuant to an Assignment Agreement it shall pay such amount to the Bank as a mandatory prepayment of the 2020 Loan. No fee will be due to the Bank in connection with such mandatory prepayment.

The District may at its option, prepay the 2020 Loan in whole or in part on any date prior to the Maturity Date, in an amount equal to the principal to be prepaid, plus all accrued and unpaid interest thereon, without any prepayment fee or penalty.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Loan 2020 (the 2020 Loan) (Continued)**

A Non-Use Fee is due to the Bank semi-annually in arrears, payable by the District on each Interest Payment Date, commencing on December 1, 2020, in a per annum amount equal to 0.35% of the Unfunded Portion actually in effect from time-to-time during the applicable semi-annual period. The Non-Use Fee is calculated on the basis of a 360-day year and actual number of days elapsed.

The 2020 Loan and the 2014 Loan are payable from Pledged Revenue on an equal and parity basis. Pledged Revenue consists of (a) the revenue derived by the District (less costs of collection) from the imposition of the Required Mill Levy; and (b) all amounts held in the funds and accounts held by the Custodian to secure the 2020 Loan.

The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay principal and interest due on the 2020 Loan and the Parity Obligations.

Because the total aggregate principal amount of the 2014 Loan and the 2020 Loan is less than 50% of the District's current assessed valuation, in accordance with the Service Plan, the 50 mill cap does not apply and the maximum debt mill levy imposed by the District may be unlimited and imposed at such amount as is necessary to pay debt service on the Loans. Events of default occur if the District does not impose the Required Mill levy, make payments of principal and interest when due, and other customary terms and conditions consistent with normal municipal financings.

The outstanding loan principal and interest are as follows:

2014A Loan:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Notes from Direct Borrowings</u>		
	<u>and Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 240,000	\$ 208,196	\$ 448,196
2024	8,155,000	218,027	8,373,027
Total	<u>\$ 8,395,000</u>	<u>\$ 426,223</u>	<u>\$ 8,821,223</u>

2014B Loan:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Notes from Direct Borrowings</u>		
	<u>and Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 85,000	\$ 64,241	\$ 149,241
2024	2,745,000	67,167	2,812,167
Total	<u>\$ 2,830,000</u>	<u>\$ 131,408</u>	<u>\$ 2,961,408</u>

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

2020A Loan:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Notes from Direct Borrowings and Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 20,000,000	\$ 400,000	\$ 20,400,000
Total	<u>\$ 20,000,000</u>	<u>\$ 400,000</u>	<u>\$ 20,400,000</u>

*\* Interest payments due on June 1 and December 1 are uncertain at this time due to the timing of the draws.*

At December 31, 2022, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 7, 2000 Election</u>	<u>Authorized November 6, 2018 Election</u>	<u>Total Authorized Debt</u>
Street Improvements	\$ 20,000,000	\$ -	\$ 20,000,000
Traffic Controls	20,000,000	-	20,000,000
Parks and Recreation	20,000,000	-	20,000,000
Public Transportation	20,000,000	-	20,000,000
Mosquito Control	200,000	-	200,000
Water	-	50,000,000	50,000,000
Sanitary Sewer	-	50,000,000	50,000,000
Security	-	10,000,000	10,000,000
Business Recruitment	-	10,000,000	10,000,000
Directional Drilling	-	20,000,000	20,000,000
Operations and Maintenance	-	50,000,000	50,000,000
Debt Refunding	81,000,000	200,000,000	281,000,000
Total	<u>\$ 161,200,000</u>	<u>\$ 390,000,000</u>	<u>\$ 551,200,000</u>

	<u>Authorization Used</u>				<u>Remaining at December 31, 2022</u>
	<u>Series 2001 Bonds</u>	<u>Series 2005 Bonds</u>	<u>2014 Loans</u>	<u>2020 Loans</u>	
Street Improvements	\$ 2,855,135	\$ 2,363,621	\$ -	\$ 9,750,000	\$ 5,031,244
Traffic Controls	-	-	-	-	20,000,000
Parks and Recreation	-	-	-	-	20,000,000
Public Transportation	-	-	-	-	20,000,000
Mosquito Control	-	-	-	-	200,000
Water	-	-	-	-	50,000,000
Sanitary Sewer	-	-	-	-	50,000,000
Security	-	-	-	-	10,000,000
Business Recruitment	-	-	-	-	10,000,000
Directional Drilling	-	-	-	-	20,000,000
Operations and Maintenance	-	-	-	-	50,000,000
Debt Refunding	10,034,865	12,326,379	13,365,000	-	245,273,756
Total	<u>\$ 12,890,000</u>	<u>\$ 14,690,000</u>	<u>\$ 13,365,000</u>	<u>\$ 9,750,000</u>	<u>\$ 500,505,000</u>

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.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 NET POSITION**

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

The net investment in capital assets component 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 improvements of those assets. The amount of capital assets which are anticipated to be conveyed to other governmental entities are not included in the capital assets, net, amount below.

As of December 31, 2022, the District had net investment in capital assets, calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 19,149,666
Less: Capital Related Debt	
Current Portion of Long-Term Obligations	(55,310)
Noncurrent Portion of Long-Term Obligations	(6,481,910)
Net Investment in Capital Assets	\$ 12,612,446

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 restricted net position as of December 31, 2022, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 86,000
Capital Projects Escrow	177,878
Drainage	711,772
Total Restricted Net Position	\$ 975,650

The District has a deficit 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.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 RELATED PARTY TRANSACTIONS**

The developer and owner of the majority of land located within the District is Majestic Realty Co. (Developer). The contractor for construction of certain infrastructure facilities of the District is Commerce Construction Co. LP (Contractor). The Developer and Contractor are related entities. Certain members of the Board of Directors of the District are employees of, owners of, or associated with the Developer and/or Contractor and may have conflicts of interest in dealing with the District. Also, the only employee of the District is related to the President of the Board.

The District entered into a Construction Management Agreement (Agreement) with the Contractor to act as the Construction Manager of the District. The Construction Manager will provide construction management and supervision services for the construction and acquisition of certain District facilities. The compensation shall be 4% of the gross dollar amount paid pursuant to construction contracts and related engineering and/or design contracts entered into by the District. The Agreement will terminate upon completion and close out of the project. During 2022, the Contractor was paid \$514,336 for construction management services related to the project.

**NOTE 8 INTERFUND AND OPERATING TRANSFERS**

The District transferred \$2,313,105 from the General Fund to the Capital Projects Fund to fund capital projects and \$3,000 from the General Fund to the Debt Service Fund to fund debt service in 2022.

**NOTE 9 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers compensation 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.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS**

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

In November 1994 and November 1998, voters within the District approved election questions related to the issuance of additional indebtedness, elimination of TABOR fiscal year limitations, exemption from state revenue limitations, and the elimination of Director term limits.

On November 6, 2018, a majority of the District's electors approved questions related to the issuance of additional indebtedness and a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR in 2018 and every year thereafter. On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain all of the revenue of the District without regard to the revenue and spending limitations of TABOR.

The District believes it has taken such steps as are appropriate in light of current interpretations of TABOR to comply with its terms. However, TABOR is complex and subject to multiple interpretations. Many of the provisions, including but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of December 31, 2022, the District had construction related contract commitments as follows:

	<u>Retainage</u>	<u>Contract Balance</u>
ADK Electric Corp - Phase 11 Pump House	\$ 1,310	\$ 53,432
ADK Electric Corp - Retail	1,150	40,374
Lawrence Construction Company - First Creek	1,036	4,652,591
Lawrence Construction Company - Picadilly Bridge	3,415	5,349,522
Lawrence Construction Company - Picadilly Roadway	2,595	3,696,989
Lightning Ventures, Inc - Tower Crossing Retail	86,086	57,370
Martin Marietta	1	-
Mtech Mechanical	500	5,000
Nelson Pipeline	791	-
Total	<u>\$ 96,884</u>	<u>\$ 13,855,278</u>

**SUPPLEMENTARY INFORMATION**

**TOWER METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 919,717	\$ 919,717	\$ 909,629	\$ (10,088)
Investment Income	200	6,733	6,104	(629)
Intergovernmental Reimbursement - 38th Ave	-	751,020	592,020	(159,000)
Reimbursement from Aurora	3,840,000	3,100,000	3,072,000	(28,000)
Total Revenues	<u>4,759,917</u>	<u>4,777,470</u>	<u>4,579,753</u>	<u>(197,717)</u>
<b>EXPENDITURES</b>				
Loan Principal Payments - Series 2014A	235,000	235,000	235,000	-
Loan Principal Payments - Series 2014B	80,000	80,000	80,000	-
Loan Principal Payments - Series 2020	3,840,000	5,800,000	5,796,000	4,000
County Treasurer's Fee	13,796	13,796	13,591	205
Interest Expense - Series 2014A	216,997	216,997	216,997	-
Interest Expense - Series 2014B	66,975	66,975	66,974	1
Interest Expense - Series 2020A	400,000	400,000	201,970	198,030
Non-Use Fee	30,000	38,000	37,505	495
Paying Agent/Remarketing Fees	2,500	3,000	3,000	-
Contingency	2,393	34,347	-	34,347
Total Expenditures	<u>4,887,661</u>	<u>6,888,115</u>	<u>6,651,037</u>	<u>237,078</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(127,744)	(2,110,645)	(2,071,284)	39,361
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer (to) from Other Funds	8,900	8,900	3,000	(5,900)
Total Other Financing Sources (Uses)	<u>8,900</u>	<u>8,900</u>	<u>3,000</u>	<u>(5,900)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(118,844)	(2,101,745)	(2,068,284)	33,461
Fund Balance - Beginning of Year	<u>118,844</u>	<u>2,101,745</u>	<u>2,101,745</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,461</u>	<u>\$ 33,461</u>

**TOWER METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Interest Income	\$ 5,000	\$ 8,664	\$ 3,664
Intergovernmental Income	260,000	260,000	-
Total Revenues	<u>265,000</u>	<u>268,664</u>	<u>3,664</u>
<b>EXPENDITURES</b>			
38th Ave to Himalaya	-	2,365	(2,365)
38th Avenue Improvements	500,000	741,785	(241,785)
Building 15	-	7,185	(7,185)
Building 16	500,000	674,690	(174,690)
First Creek Detention Pond	-	3,450	(3,450)
First Creek Improvements	4,500,000	605,793	3,894,207
Himalaya Extension	1,000,000	-	1,000,000
Monument Landscaping	-	575	(575)
Phase 11 - Pumphouse	2,000,000	198,921	1,801,079
Picadilly Bridge	5,000,000	132,571	4,867,429
Picadilly Roadway	-	31,638	(31,638)
Picadilly Road (with Bridge)	4,000,000	-	4,000,000
Retail	1,000,000	2,003,227	(1,003,227)
Signs	-	12,400	(12,400)
Total Expenditures	<u>18,500,000</u>	<u>4,414,600</u>	<u>14,085,400</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(18,235,000)	(4,145,936)	14,089,064
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan Proceeds	16,090,000	2,000,000	(14,090,000)
Transfers from Other Funds	2,145,000	2,313,105	168,105
Total Other Financing Sources (Uses)	<u>18,235,000</u>	<u>4,313,105</u>	<u>(13,921,895)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	167,169	167,169
Fund Balance - Beginning of Year	<u>-</u>	<u>254,340</u>	<u>254,340</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 421,509</u>	<u>\$ 421,509</u>

## **OTHER INFORMATION**

**TOWER METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2022**

Bond/Principal and Interest Maturing in the Year Ending December 31,	\$9,995,000 Promissory Note Series 2014A (Tax-Exempt) Dated December 30, 2014 Interest Rate - 2.480% Interest Payable June 1 and December 1 Principal Due December 1			\$3,370,000 Promissory Note Series 2014B (Taxable) Dated December 30, 2014 Interest Rate - 3.380%*** Interest Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 240,000	\$ 208,196	\$ 448,196	\$ 85,000	\$ 64,241	\$ 149,241
2024	8,155,000	218,027	8,373,027	2,745,000	67,167	2,812,167
Total	<u>\$ 8,395,000</u>	<u>\$ 426,223</u>	<u>\$ 8,821,223</u>	<u>\$ 2,830,000</u>	<u>\$ 131,408</u>	<u>\$ 2,961,408</u>

\*\*\*The interest rate was converted to a tax-exempt rate of 2.27% on January 15, 2015

Bond/Principal and Interest Maturing in the Year Ending December 31,	\$20,000,000 General Obligation Loan Series 2020 (Tax-Exempt) Dated August 19, 2020 Interest Rate of 1.10% Plus the Greater of (i) 0% or (ii) 85% of the One- Month LIBOR Rate Interest Payable June 1 and December 1 Balloon Payment Due December 30, 2024			Total General Obligation Debt
	Principal	Interest	Total	
2023	\$ -	\$ -	\$ -	\$ 597,437
2024	20,000,000	400,000	20,400,000	31,585,194
Total	<u>\$ 20,000,000</u>	<u>\$ 400,000</u>	<u>\$ 20,400,000</u>	<u>\$ 32,182,631</u>

\* Interest payments due on June 1 and December 1 are uncertain at this time due to the timing of the draws.

**TOWER METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

Year Ended December 31,	Prior Year Assessed for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General Fund	Debt Service	Levied	Collected	
2018	\$ 110,228,350	14.643	5.357	\$ 2,204,567	\$ 2,191,023	99.39 (A)
2019	115,456,230	15.049	4.951	2,309,125	2,263,731	98.03 (B)
2020	150,736,000	16.017	3.983	3,014,720	2,803,721	93.00 (C)
2021	159,782,430	14.963	5.037	3,195,649	3,165,993	99.07 (D)
2022	183,503,060	14.988	5.012	3,670,061	3,604,448	98.21 (E)
Estimated for the Year Ending December 31, 2023	\$ 219,473,110	14.988	5.012	\$ 4,389,462		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

- (A) \$97,961 of ad valorem taxes were refunded/abated to property owners in 2018.
- (B) \$33,418 of ad valorem taxes were refunded/abated to property owners in 2019.
- (C) \$201,430 of ad valorem taxes were refunded/abated to property owners in 2020.
- (D) \$33,229 of ad valorem taxes were refunded/abated to property owners in 2021.
- (E) \$28,660 of ad valorem taxes were refunded/abated to property owners in 2022.