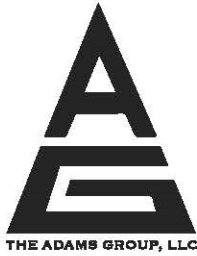


REAL WELD METROPOLITAN DISTRICT
Weld County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2022

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Real Weld Metropolitan District
Weld County, Colorado

Opinions

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

The Adams Group, LLC

Denver, Colorado
March 27, 2023

BASIC FINANCIAL STATEMENTS

REAL WELD METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents - unrestricted	\$ 803,938
Total Assets	<u>803,938</u>
<u>Liabilities</u>	
Accounts payable	25,924
Total Liabilities	<u>25,924</u>
<u>Net Position</u>	
Restricted	
Emergencies	28,500
Unrestricted	749,514
Total Net Position	<u>\$ 778,014</u>

The accompanying notes are an integral part of the financial statements.

REAL WELD METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General government	\$ 118,423	\$ -	\$ -	\$ -	\$ (118,423)
Interest and fiscal charges	2,958	-	-	-	(2,958)
Total Governmental Activities	\$ 121,381	\$ -	\$ -	\$ -	(121,381)

GENERAL REVENUES:

Intergovernmental revenues	950,000
Total General revenues	950,000
Change in net position	828,619
Net Position, Beginning	(50,605)
Net Position, Ending	\$ 778,014

The accompanying notes are an integral part of the financial statements.

REAL WELD METROPOLITAN DISTRICT
GOVERNMENTAL FUND – BALANCE SHEET
DECEMBER 31, 2022

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents - unrestricted	\$ 803,938
Total Assets	\$ 803,938
 <u>Liabilities and fund balance</u>	
Liabilities:	
Accounts payable	\$ 25,924
Total Liabilities	25,924
 Fund balance:	
Assigned	
Subsequent year budget	749,514
Restricted	
Emergencies	28,500
Total Fund Balance	778,014
Total Liabilities and Fund Balance	\$ 803,938
Total fund balance, governmental funds	\$ 778,014
 Total net position of governmental activities	 \$ 778,014

The accompanying notes are an integral part of the financial statements.

REAL WELD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>
<u>Revenues</u>	
Intergovernmental revenues	\$ 950,000
Total revenues	950,000
 <u>Expenditures</u>	
Current:	
Accounting and legal	20,067
Insurance	355
Contract services	97,762
Miscellaneous	239
Debt service:	
Principal	74,492
Interest	8,551
Total expenditures	201,466
Excess revenues over expenditures	748,534
 <u>Other financing sources</u>	
Developer advances	4,480
Total other financing sources	4,480
Net change in fund balance	753,014
Fund balance - beginning	25,000
Fund balance - ending	\$ 778,014

The accompanying notes are an integral part of the financial statements.

REAL WELD METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net change in fund balance - total governmental fund: \$ 753,014

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

The issuance of long-term debt provides current financial resources to fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position.

Developer proceeds	(4,480)
Repayment of principal of developer advances	74,492

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

Change in accrued interest on developer advances	<u>5,593</u>
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Change in net position of governmental activities	<u><u>\$ 828,619</u></u>
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REAL WELD METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Intergovernmental revenues	\$ 1,000,000	\$ 950,000	\$ (50,000)
Total revenues	1,000,000	950,000	(50,000)
<u>Expenditures</u>			
Current:			
Accounting and legal	5,500	20,067	(14,567)
Insurance	3,300	355	2,945
Contract services	200,000	97,762	102,238
Miscellaneous	-	239	(239)
Debt service:			
Principal	85,000	74,492	10,508
Interest	5,000	8,551	(3,551)
Total expenditures	298,800	201,466	97,334
Excess (deficiency) revenues over (under) expenditures	701,200	748,534	47,334
<u>Other financing sources</u>			
Developer advances	30,000	4,480	(25,520)
Total other financing sources	30,000	4,480	(25,520)
Net change in fund balances	731,200	753,014	21,814
Fund balance - beginning	25,000	25,000	-
Fund balance - ending	\$ 756,200	\$ 778,014	\$ 21,814

The accompanying notes are an integral part of the financial statements.

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 – DEFINITION OF REPORTING ENTITY

Real Weld Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on January 8, 2020 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in Weld County, Colorado (the County).

The District was established to plan for, design, acquire, construct, install, relocate, redevelop and finance the public improvements and to provide operation and maintenance for the public improvements and of other recreation facilities under agreements with other entities and local governments. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the County or its designee for operation and maintenance. The District has no employees, and all operations and administrative functions are contracted.

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.

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. Governmental activities are normally supported by intergovernmental revenues.

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

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and redemption of bonds and notes are recorded as a reduction in liabilities.

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.

As of December 31, 2022, the District had no sources of revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred, or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government.

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, 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 includes total fund expenditures and other financing uses 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.

Assets, Liabilities, and Fund Balance / Net Position

Cash Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. At December 31, 2022, the value of investments reported by the District was \$0.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Balances – Governmental Fund

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact. As of December 31, 2022, the District had no balances classified as nonspendable.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation. The restricted fund balance in the General Fund in the amount of \$28,500 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 9).

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making District (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint. The District had no items reported as committed as of December 31, 2022.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District’s Board of Directors or by an official or body to which the District Board of Directors delegates the District. The assigned fund balance in the General Fund in the amount of \$749,514 is a result of a budgeted deficit for the year ended December 31, 2023.

Unassigned fund balance – amounts that are available for any purpose. At December 31, 2022, the District had unassigned fund balance of \$0.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District’s Board of Directors has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report up to three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets. As of December 31, 2022, the District had no capital assets and therefore, no net investment in capital assets reported.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Current Year GASB Pronouncement

For the year ended December 31, 2022, the District adopted the provisions of GASB Statement No. 87, *Leases*, which is effective for financial statement periods beginning after June 15, 2021. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. For the year ended December 31, 2022, the implementation of the new standard had no material impact on the District.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2022, are classified in the accompanying statement of net position as follows:

Deposits with financial institutions	\$ 803,938
Total cash deposits	<u>\$ 803,938</u>

Cash Deposits

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 equal to 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 of \$803,938.

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2021	Additions	Deletions	Balance at December 31, 2021	Due in One Year
Developer Advances					
Principal	\$ 70,012	\$ 4,480	\$ 74,492	\$ -	\$ -
Developer Advances					
Accrued Interest	5,593	2,958	8,551	-	-
	<u>\$ 75,605</u>	<u>\$ 7,438</u>	<u>\$ 83,043</u>	<u>\$ -</u>	<u>\$ -</u>

The detail of the District’s long-term obligations is as follows:

Advance and Reimbursement Agreement – Ronald E. vonLembke

The District entered into an advance and reimbursement agreement with Ronald E. vonLembke on October 8, 2020. The agreement establishes the terms and conditions for reimbursement on advance of funds for operation and maintenance costs, including, but not limited to, legal, accounting, design, engineering and management costs associated with certain public improvements, facilities and services. Interest accrues on amounts certified and accepted for reimbursement at an annual rate of 7.05%. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, public improvements, and debt service costs and expenses of the District.

During the year ended December 31, 2022, the District paid principal and interest in full in the amounts of \$74,492 and \$8,551, respectively.

Authorized Debt

On September 23, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$25,000,000. At December 31, 2022, the District had authorized but unissued indebtedness of \$25,000,000.

NOTE 5 – NET POSITION

The District’s net position consists of two components – restricted and unrestricted.

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation.

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 – NET POSITION (CONTINUED)

The District's restricted net position at December 31, 2022, consists of \$28,500 for emergency reserves.

As of December 31, 2022, the District had an unrestricted net position of \$749,514.

NOTE 6 – RELATED PARTIES

Certain members of the Board of Directors of the District are also members of the Board of Directors for the Front Range Infrastructure Authority, Platte River Metropolitan District, and/or the Bromley Companies, may have conflicts of interest in dealing with the District, or have provided the District with advances as previously outlined.

NOTE 7 – INTERGOVERNMENTAL REVENUES

During the year ended December 31, 2022, the District received \$950,000 from the Front Range Infrastructure Authority for purposes of operations, repayment of developer advances, and future public improvements.

NOTE 8 – 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 (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.

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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 9 – 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, except Enterprises.

REAL WELD METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 – TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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 District's eligible electors 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.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.