

ADONEA METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2023

with

Independent Auditors' Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adonea Metropolitan District No. 2
Arapahoe County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Adonea Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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 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 opinion. 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 not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

September 27, 2024
Wheat Ridge, Colorado

ADONEA METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 547,608	\$ -	\$ -	\$ 547,608	\$ -	\$ 547,608
Cash and investments - restricted	42,238	624,746	216,935	883,919	-	883,919
Cash with County Treasurer	1,973	5,015	-	6,988	-	6,988
Property taxes receivable	838,424	1,055,019	-	1,893,443	-	1,893,443
Accounts receivable - assessments	23,814	-	-	23,814	-	23,814
Capital assets not being depreciated	-	-	-	-	18,446,440	18,446,440
Capital assets, net of depreciation	-	-	-	-	1,406,763	1,406,763
Total Assets	<u>1,454,057</u>	<u>1,684,780</u>	<u>216,935</u>	<u>3,355,772</u>	<u>19,853,203</u>	<u>23,208,975</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	2,314,903	2,314,903
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,314,903</u>	<u>2,314,903</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,454,057</u>	<u>\$ 1,684,780</u>	<u>\$ 216,935</u>	<u>\$ 3,355,772</u>		
LIABILITIES						
Accounts payable	\$ 62,705	\$ -	\$ -	\$ 62,705	-	62,705
Accounts payable - Regional taxes/ARI	-	227,400	-	227,400	-	227,400
Prepaid assessments	50,650	-	-	50,650	-	50,650
Accrued interest	-	-	-	-	52,235	52,235
Long-term liabilities:						
Due within one year	-	-	-	-	460,000	460,000
Due in more than one year	-	-	-	-	22,585,000	22,585,000
Total Liabilities	<u>113,355</u>	<u>227,400</u>	<u>-</u>	<u>340,755</u>	<u>23,097,235</u>	<u>23,437,990</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	838,424	1,055,019	-	1,893,443	-	1,893,443
Total Deferred Inflows of Resources	<u>838,424</u>	<u>1,055,019</u>	<u>-</u>	<u>1,893,443</u>	<u>-</u>	<u>1,893,443</u>
FUND BALANCE						
Restricted:						
Emergencies	42,238	-	-	42,238	(42,238)	-
Debt service	-	402,361	-	402,361	(402,361)	-
Capital projects	-	-	216,935	216,935	(216,935)	-
Unassigned	460,040	-	-	460,040	(460,040)	-
Total Fund Balances	<u>502,278</u>	<u>402,361</u>	<u>216,935</u>	<u>1,121,574</u>	<u>(1,121,574)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,454,057</u>	<u>\$ 1,684,780</u>	<u>\$ 216,935</u>	<u>\$ 3,355,772</u>		
NET POSITION						
Restricted for:						
Emergencies					42,238	42,238
Debt service					350,126	350,126
Capital projects					216,935	216,935
Unrestricted					(416,854)	(416,854)
Total Net Position (Deficit)					<u>\$ 192,445</u>	<u>\$ 192,445</u>

The notes to the financial statements are an integral part of these statements.

ADONEA METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting / audit	\$ 20,845	\$ -	\$ -	\$ 20,845	\$ -	\$ 20,845
Clubhouse maintenance	31,949	-	-	31,949	-	31,949
Telephone/access control	2,523	-	-	2,523	-	2,523
Pool Maintenance, chemicals and repairs	115,939	-	-	115,939	-	115,939
Snow Removal	86,127	-	-	86,127	-	86,127
Utilities	196,992	-	-	196,992	-	196,992
Security	42,084	-	-	42,084	-	42,084
Trash removal	158,939	-	-	158,939	-	158,939
Professional fees - management	38,615	-	-	38,615	-	38,615
General administration	31,093	-	-	31,093	-	31,093
Insurance	14,149	-	-	14,149	-	14,149
Legal	142,649	-	-	142,649	-	142,649
Miscellaneous expense	5,199	-	-	5,199	-	5,199
Landscape costs	266,704	-	-	266,704	-	266,704
Pool furniture	1,000	-	-	1,000	-	1,000
Election	37,119	-	-	37,119	-	37,119
Capital Outlay	-	-	397,316	397,316	(397,316)	-
Irrigation Repairs	62,399	-	-	62,399	-	62,399
Treasurer fees	6,973	17,719	-	24,692	-	24,692
Social Events	33,929	-	-	33,929	-	33,929
Holiday lights	25,013	-	-	25,013	-	25,013
Loan principal	-	320,000	-	320,000	(320,000)	-
Interest expense	-	771,837	-	771,837	190,933	962,770
Regional mill levy	-	36,873	-	36,873	-	36,873
Depreciation	-	-	-	-	102,891	102,891
Total Expenditures	<u>1,320,240</u>	<u>1,146,429</u>	<u>397,316</u>	<u>2,863,985</u>	<u>(423,492)</u>	<u>2,440,493</u>
PROGRAM REVENUES						
Assessments	635,390	-	-	635,390	-	635,390
Total Program Revenues	<u>635,390</u>	<u>-</u>	<u>-</u>	<u>635,390</u>	<u>-</u>	<u>635,390</u>
Net Program Income (Expense)	<u>(684,850)</u>	<u>(1,146,429)</u>	<u>(397,316)</u>	<u>(2,228,595)</u>	<u>423,492</u>	<u>(1,805,103)</u>
GENERAL REVENUES						
Property taxes	464,508	1,145,780	-	1,610,288	-	1,610,288
Property taxes - Regional ARI	-	35,086	-	35,086	-	35,086
Specific ownership taxes	30,688	75,151	-	105,839	-	105,839
Specific ownership taxes - Regional ARI	-	2,301	-	2,301	-	2,301
Clubhouse rental & other income	86,808	-	-	86,808	-	86,808
Interest and other income	177	82,920	-	83,097	-	83,097
Total General Revenues	<u>582,181</u>	<u>1,341,238</u>	<u>-</u>	<u>1,923,419</u>	<u>-</u>	<u>1,923,419</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(102,669)	194,809	(397,316)	(305,176)	423,492	118,316
OTHER FINANCING SOURCES (USES)						
Insurance reimbursement income	43,577	-	-	43,577	(33,798)	9,779
Total Other Financing Sources (Uses)	<u>43,577</u>	<u>-</u>	<u>-</u>	<u>43,577</u>	<u>(33,798)</u>	<u>9,779</u>
CHANGE IN FUND BALANCE	(59,092)	194,809	(397,316)	(261,599)	261,599	
CHANGES IN NET POSITION					128,095	128,095
FUND BALANCE/NET POSITION						
BEGINNING OF YEAR	<u>561,370</u>	<u>207,552</u>	<u>614,251</u>	<u>1,383,173</u>	<u>(1,318,823)</u>	<u>64,350</u>
END OF YEAR	<u>\$ 502,278</u>	<u>\$ 402,361</u>	<u>\$ 216,935</u>	<u>\$ 1,121,574</u>	<u>\$ (929,129)</u>	<u>\$ 192,445</u>

The notes to the financial statements are an integral part of these statements.

ADONEA METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2023

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	464,963	\$ 464,508	\$ (455)
Specific ownership taxes	34,174	30,688	(3,486)
Assessments	620,000	635,390	15,390
Clubhouse rental & other income	30,000	86,808	56,808
Interest and other income	<u>100</u>	<u>177</u>	<u>77</u>
Total Revenues	<u>1,149,237</u>	<u>1,217,571</u>	<u>68,334</u>
EXPENDITURES			
Accounting / audit	30,000	20,845	9,155
Clubhouse maintenance	20,000	31,949	(11,949)
Pool furniture	6,000	1,000	5,000
Telephone/access control	3,000	2,523	477
Pool attendants/maintenance	90,000	84,040	5,960
Pool Chemicals	10,000	13,643	(3,643)
Pool Repairs	90,000	18,256	71,744
Water sewer	200,000	175,612	24,388
Snow Removal	100,000	86,127	13,873
Utilities	22,000	21,380	620
Security	14,000	42,084	(28,084)
Trash removal	144,000	158,939	(14,939)
Professional fees - management	75,000	38,615	36,385
General administration	20,000	31,093	(11,093)
Insurance	17,000	14,149	2,851
Legal	85,000	142,649	(57,649)
Miscellaneous expense	15,000	5,199	9,801
Landscape costs	220,750	137,100	83,650
Ground improvements	150,000	129,604	20,396
Irrigation Repairs	20,000	62,399	(42,399)
Treasurer fees	6,974	6,973	1
Social Events	45,000	33,929	11,071
Holiday lights	3,600	25,013	(21,413)
Mosquito control	15,000	-	15,000
Contingency	174,874	-	174,874
Emergency reserve	<u>42,070</u>	<u>-</u>	<u>42,070</u>
Total Expenditures	<u>1,619,268</u>	<u>1,320,240</u>	<u>299,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(470,031)	(102,669)	367,362
OTHER FINANCING SOURCES			
Insurance reimbursement income	<u>-</u>	<u>43,577</u>	<u>43,577</u>
Total Other Financing Sources	<u>-</u>	<u>43,577</u>	<u>43,577</u>
NET CHANGE IN FUND BALANCE	(470,031)	(59,092)	410,939
FUND BALANCE:			
BEGINNING OF YEAR	<u>470,031</u>	<u>561,370</u>	<u>91,339</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 502,278</u>	<u>\$ 502,278</u>

The notes to the financial statements are an integral part of these statements.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of Adonea Metropolitan District No. 2, (“District”), located in the City of Aurora, Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on August 18, 2003 concurrently with Adonea Metropolitan District No. 1, (“District No.1”) as a quasi-municipal corporation and political subdivision of the State of Colorado under the Special District Act. The District was established to provide water, wastewater, park and recreation, and other related improvements for the benefit of taxpayers and service users located within the City of Aurora, Colorado. The District's primary revenues are property taxes, and homeowner assessments. The District is governed by an elected Board of Directors. On December 15, 2010, District No. 1 was dissolved and all assets and liabilities of District No. 1 were transferred to the District. The District now operates independently.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a GAAP basis for the governmental funds. In accordance with the State of Colorado Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end. The Districts amended its total appropriations in the Debt Service Fund due to a delay in the conversion of the Series 2021 Loan to tax exempt status. Total expenditures exceeded total appropriations in the Capital Projects Fund, this may be a violation of State Budget Law.

Assets, Liabilities Deferred Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

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 minimum number of bank accounts. 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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report 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(s) 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. Property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Loss on Refunding

The deferred loss on refunding is being amortized over the life of the bonds using the effective interest method. Accumulated amortization of the deferred loss on refunding amounted to \$412,231, at December 31, 2023.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Recreation Center	30 years
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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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$42,238 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$402,361 is restricted for the payment of the debt service costs (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$216,935 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes 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 Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports 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 or resources related to those assets.

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.

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.

Note 2: Cash and Investments

As of December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 547,608
Cash and investments – Restricted	<u>883,919</u>
	<u>\$ 1,431,527</u>

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

Deposits with financial institutions	\$ 724,870
Investments – COLOTRUST	<u>706,657</u>
	<u>\$ 1,431,527</u>

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% 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.

The District does not have a formal policy for deposits.

Investments Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. The investment value of COLOTRUST is calculated using the net asset value method (NAV) per share.

As of December 31, 2023, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

The trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trust. Substantially all securities owned by the trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District had \$706,657 invested in COLOTRUST.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

Governmental Type Activities:	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 10,875,180	\$ 397,316	\$ -	\$ 11,272,496
Land	-	-	-	-
Landscaping	7,173,944	-	-	7,173,944
Total capital assets not being depreciated:	18,049,124	397,316	-	18,446,440
<u>Capital assets being depreciated:</u>				
Recreation center	2,795,290	-	33,798	2,761,492
Total capital assets:	2,795,290	-	33,798	2,761,492
Accumulated Depreciation	(1,251,838)	(102,891)	-	(1,354,729)
Net capital assets being depreciated:	1,543,452	(102,891)	33,798	1,406,763
Government type assets, net	\$ 19,592,576	\$ 294,425	\$ 33,798	\$ 19,853,203

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Under the District Service Plan, the District is to dedicate the capital improvements to the City of Aurora. However, the District may retain the park and recreation improvements. During the year, there was hail damage sustained to the roof of the District's recreation center, and the District filed for and received insurance claim proceeds of \$43,577. These proceeds as well as an impairment loss of \$33,798 related to the remaining value of the roof was recognized by the District in Other Financing Sources. The District used the Restoration Cost Approach to calculate this impairment loss. A new roof was installed in 2024.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2023, is as follows:

Taxable (Converting to Tax-Exempt) Refunding Loan, Series 2021

On November 30, 2021 the District entered into Loan Agreement (“2021 Loan”) with MidWest One Bank (“Lender”) whereby the Lender agreed to loan the District \$23,700,000. The 2021 Loan initially bears interest at 3.33%, until the conversion date, which occurred on November 16, 2023, when the interest rate reset to 2.72%. The loan matures on December 1, 2041. Interest payments on the 2021 Loan are due on each June 1 and December 1 commencing on June 1, 2022. Principal payments on the Series 2021 Loan are on each December 1 commencing on December 1, 2022. The 2021 Loan is subject to Optional Prepayment on any interest payment date on and after December 1, 2021 upon the payment of the principal balance plus accrued interest and a prepayment premium ranging from 1% to 3% of the outstanding balance through November 30, 2026 with no redemption premium on December 1, 2026 and thereafter.

The Series 2021 Loan is secured by the Pledged Revenue which includes the Required Mill Levy, the portion of the Specific Ownership taxes related to the Required Mill Levy, any PILOT Revenue and any other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue.

The 2021 Loan was issued in order to fully refund the District's outstanding Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2018A and its Subordinate Limited Tax General Obligation Refunding Bonds, Series 2018B, resulting in a net present value savings of \$5,731,337.

Events of Default under the 2021 Loan include but are not limited to the following as more further described in the Loan Agreement (a) Failure by the District to impose the Required Mill Levy; (b) On and after the Unlimited Tax Receipt Date, the District fails to pay the principal of, premium if any, or interest on the Bonds when due; (c) the District commences any case, proceeding, or other action under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts. Acceleration of payments shall not be an available remedy for an Event of Default.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Due in</u> <u>One Year</u>
Direct Financing					
2021 Loan	\$ 23,365,000	\$ -	\$ 320,000	\$ 23,045,000	\$ 460,000
	<u>\$ 23,365,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 23,045,000</u>	<u>\$ 460,000</u>

The following is a summary of the annual long-term debt principal and interest requirements for the 2021 Loan.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 460,000	\$ 626,824	\$ 1,086,824
2025	475,000	614,312	1,089,312
2026	510,000	601,392	1,111,392
2027	525,000	587,520	1,112,520
2028	560,000	573,240	1,133,240
2029-2033	3,170,000	2,625,208	5,795,208
2034-2038	3,945,000	2,153,152	6,098,152
2039-2041	<u>13,400,000</u>	<u>1,020,272</u>	<u>14,420,272</u>
	<u>\$23,045,000</u>	<u>\$ 8,801,920</u>	<u>\$31,846,920</u>

Debt Authorization

In 2004, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$894,500,000 for acquisition, construction, installment, and equipping of capital improvements. The Consolidated Service Plan for Adonea Metropolitan District Nos. 1 and 2 dated August 6, 2004 (the "Original Service Plan") includes a debt authorization limit of \$45,000,000. On October 30, 2017, the Amended and Restated Consolidated Service Plan increased the debt limit. to \$90,000,000. As of December 31, 2019, the amount of debt authorized by the District's electorate but unissued was \$570,730,054. The District has not budgeted to issue any new debt during 2024.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Note 5: Agreements

Intergovernmental Agreements

On November 3, 2004, the District, along with the District No. 1, entered into an Amended and Restated Intergovernmental Agreement (“IGA”) with the City of Aurora, as required by the Amended and Restated Consolidated Service Plan. Under the IGA, the District must obtain the approval of the Aurora City Council prior to any inclusion of property into the boundaries of the District, or any consolidation with any other special district. Prior to issuance of any privately placed debt, the District shall obtain a certificate from an External Financial Advisor certifying the reasonableness of the interest rate and the structure. Pursuant to the IGA and the Amended and Restated Consolidated Service Plan, the District is required to levy a regional mill levy as outlined in the Amended and Restated Consolidated Service Plan and to remit it to an Aurora Regional Improvement (“ARI”) Authority or to the City under certain circumstances. On October 30, 2017, the IGA was amended to increase the District’s debt limit to \$90,000,000.

The Amended and Restated Consolidated Service Plan requires the District to dedicate the public improvements to the City of Aurora for ownership and maintenance. The District is authorized, but not obligated to, operate and maintain the park and recreation improvements.

General Operations Fee and Working Capital Fee

On October 24, 2014, the District adopted a Fifth Amended and Restated Resolution Concerning the Imposition of a Development Fee, General Operations Fee, and a Working Capital Fee, as amended by a First Amendment thereto adopted on November 16, 2017 (“Capital and Operations Fees Resolution”) establishing and imposing: (a) the General Operations Fee to pay the costs of administration, construction, upkeep, repair, operation, maintenance, improvement, replacement, and reconstruction of certain drainage, open space, landscaping, and park and recreation services, programs and facilities within the District; (b) the Working Capital Fee to pay the administrative costs associated with the establishment, maintenance and transfer of the accounts necessary to properly account for and administer the General Operations Fee, which is to be imposed on all sales, conveyances, and transfers of property within the District, with certain exceptions set forth therein; and (c) a Carriage Homes Maintenance Fee to offset the costs of maintenance and operations for property within the “Carriage Homes Fee Area” (generally Filing No. 6). The current rates of such fees are as follows:

Operations Fee	Residential Unit – Single-Family Detached: \$135/quarter Residential Unit – Carriage Homes: \$235/quarter Residential Vacant Lot: \$67/quarter
Working Capital Fee	Residential Unit – Single-Family Detached: \$250/transfer

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2023

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“the Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 7: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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.

On November 4, 2003 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 Article X, Section 20 of the Colorado Constitution.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2023

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) Land and capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;
- 2) unamortized deferred loss on refunding is not financial resources and, therefore is not reported in the funds; and,
- 3) long-term liabilities such as bonds payable and accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or capitalized and depreciated over their useful lives;
- 2) governmental funds report bond principal payments as; however, in the government-wide financial statements, this is reflected as changes in long-term liabilities;
- 3) bond premiums are recorded as revenues; however, in the statement of activities, this item is amortized over the term of the related debt; and
- 4) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities.

SUPPLEMENTAL INFORMATION

ADONEA METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2023

	Original	Final		Variance
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,146,910	\$ 1,146,910	\$ 1,145,780	\$ (1,130)
Property taxes - Regional ARI	35,120	35,120	35,086	(34)
Specific ownership taxes	80,284	80,284	75,151	(5,133)
Specific ownership taxes - Regional ARI	2,458	2,458	2,301	(157)
Interest and other income	<u>5,000</u>	<u>5,000</u>	<u>82,920</u>	<u>77,920</u>
 Total Revenues	 <u>1,269,772</u>	 <u>1,269,772</u>	 <u>1,341,238</u>	 <u>71,466</u>
EXPENDITURES				
Loan principal	320,000	320,000	320,000	-
Interest expense	745,351	776,918	771,837	5,081
Trustee/paying agent fees	8,000	8,000	-	8,000
Miscellaneous expense	300	300	-	300
Treasurer's fee	17,731	17,731	17,719	12
Regional mill levy	<u>37,051</u>	<u>37,051</u>	<u>36,873</u>	<u>178</u>
 Total Expenditures	 <u>1,128,433</u>	 <u>1,160,000</u>	 <u>1,146,429</u>	 <u>13,571</u>
 CHANGE IN FUND BALANCE	 141,339	 109,772	 194,809	 (85,037)
FUND BALANCE:				
BEGINNING OF YEAR	<u>136,328</u>	<u>136,328</u>	<u>207,552</u>	<u>71,224</u>
 END OF YEAR	 <u>\$ 277,667</u>	 <u>\$ 246,100</u>	 <u>\$ 402,361</u>	 <u>\$ 156,261</u>

The notes to the financial statements are an integral part of these statements.

ADONEA METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Impact fees	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital outlay	-	397,316	(397,316)
Total Expenditures	-	397,316	(397,316)
NET CHANGE IN FUND BALANCE	-	(397,316)	(397,316)
FUND BALANCE:			
BEGINNING OF YEAR	<u>535,992</u>	<u>614,251</u>	<u>78,259</u>
END OF YEAR	<u>\$ 535,992</u>	<u>\$ 216,935</u>	<u>\$ (4,288,225)</u>

The notes to the financial statements are an integral part of these statements.