

ALTAMIRA METROPOLITAN DISTRICT NO. 5
Town of Lochbuie, Colorado

BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Altamira Metropolitan District No. 5
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Altamira Metropolitan District No. 5 (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 the major fund of the Altamira Metropolitan District No. 5, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Accounting principles generally accepted in the United States of America require that the general fund budgetary comparison schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of assessed valuation, mill levy, and property taxes collected, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other 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.

The Adams Group, LLC

Greenwood Village, Colorado
March 20, 2024

BASIC FINANCIAL STATEMENTS

ALTAMIRA METROPOLITAN DISTRICT NO. 5
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments	\$ 196,463
Receivable from county treasurer	1,408
Prepaid items	2,710
Property taxes receivable	456,910
Total Assets	657,491
 <u>Liabilities</u>	
Accounts payable	4,783
Total Liabilities	4,783
 <u>Deferred Inflows of Resources</u>	
Unavailable property taxes	456,910
Total Deferred Outflows of Resources	456,910
 <u>Net Position</u>	
Restricted	
Emergencies	15,125
Unrestricted	180,673
Total Net Position	\$ 195,798

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

ALTAMIRA METROPOLITAN DISTRICT NO. 5
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Governmental Activities:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General government	\$ 8,605,202	\$ -	\$ -	\$ -	\$ (8,605,202)
Total Governmental Activities	\$ 8,605,202	\$ -	\$ -	\$ -	\$ (8,605,202)
GENERAL REVENUES:					
Property taxes					457,284
Specific ownership taxes					19,634
Intergovernmental					7,000,000
Investment earnings					27,285
Total General revenues					7,504,203
Change in net position					(1,100,999)
Net Position, Beginning					1,296,797
Net Position, Ending					\$ 195,798

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

ALTAMIRA METROPOLITAN DISTRICT NO. 5
GOVERNMENTAL FUND – BALANCE SHEET
DECEMBER 31, 2023

	<u>General Fund</u>
<u>Assets</u>	
Cash and investments	\$ 196,463
Receivable with county treasurer	1,408
Property taxes receivable	456,910
Prepaid items	2,710
Total Assets	\$ 657,491
 <u>Liabilities, deferred inflows of resources</u> <u>and fund balance</u>	
Liabilities:	
Accounts payable	\$ 4,783
Total Liabilities	4,783
 Deferred inflows of resources:	
Unavailable property taxes	456,910
Total Deferred Inflows of Resources	456,910
 Fund balance:	
Nonspendable	
Prepaid items	2,710
Restricted	
Emergencies	15,125
Assigned	
Subsequent year's budget	123,193
Unassigned	54,770
Total Fund Balances	195,798
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 657,491

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

ALTAMIRA METROPOLITAN DISTRICT NO. 5
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Total fund balance, governmental fund	\$ 195,798
Total net position of governmental activities	<u>\$ 195,798</u>

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

ALTAMIRA METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2023

	<u>General Fund</u>
<u>Revenues</u>	
Taxes:	
Property taxes	\$ 457,284
Specific ownership taxes	19,634
Intergovernmental	7,000,000
Earnings on investments	27,285
Total revenues	7,504,203
 <u>Expenditures</u>	
Current:	
Accounting	22,114
Accounting consulting	20,878
County treasury fees	6,852
Director's fees	3,500
District management and accounting	8,947
Dues and subscriptions	1,384
Insurance and bonds	2,608
Intergovernmental	1,500,000
Legal	38,449
Settlement expenditures	7,000,000
Other expenditures	470
Total expenditures	8,605,202
Net change in fund balances	(1,100,999)
 Fund balances - beginning	 1,296,797
Fund balances - ending	\$ 195,798

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

ALTAMIRA METROPOLITAN DISTRICT NO. 5
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, 2023

Net change in fund balance - total governmental fund:	\$ (1,100,999)
Change in net position of governmental activities	<u>\$ (1,100,999)</u>

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

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Altamira Metropolitan District No. 5 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on November 12, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the Town of Lochbuie, Colorado (the Town) and Weld County, Colorado.

The District was established to finance the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of public improvements.

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, and potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other District 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 taxes and 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.

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.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, notes and developer advances 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. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. 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.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 is at the total fund expenditures 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 the general fund on its basis of accounting unless otherwise indicated.

Assets, Liabilities, Deferred Inflows of Resources, 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. Investments are reported at fair value.

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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

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.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, unavailable property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Fund Balances

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. At December 31, 2023, the General Fund had a nonspendable fund balance of \$2,710.

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 amount of \$15,125 in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Colorado Constitution.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (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.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates authority. The assigned fund balance of \$123,193 represents the budgeted deficit in the general fund for the subsequent year's budget.

Unassigned fund balance – amounts that are available for any purpose.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (continued)

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 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.

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.

Current Year GASB Pronouncement

For the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which provides guidance on the accounting and financial reporting for SBITAs for governments. The implementation of the new standard had no impact on the District's net position as of December 31, 2023.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying statement of net position as follows:

Cash and investments	\$ 196,463
Total cash and investments	<u>\$ 196,463</u>

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

Deposits with financial institutions	\$ 58,991
Investments	<u>137,472</u>
Total cash and investments	<u>\$ 196,463</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, 2023, the District's cash deposits had a bank balance and carrying balance of \$58,991.

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 or subject to investment custodial risk for investments that are in the possession of another party.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

Investment	Maturity	Carrying Amount
Colorado Local Government Liquid Asset Trust	Weighted average under 60 days	\$ 137,472

Local Government Investment Pool

The District invested \$137,472 in Colorado Local Government Liquid Asset Trust (Colotrust or 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 Colotrust. Colotrust offers shares in three portfolios, ColoTrust PRIME, ColoTrust PLUS+, and ColoTrust EDGE. ColoTrust PRIME invests only in U.S. Treasury and government agencies and each share is equal in value to \$1. ColoTrust PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper and each share is equal in value to \$1.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

ColoTrust EDGE can invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper and is managed to approximate \$10 transactional share price. A designated custodial bank services as custodian for the Trust’s portfolios pursuant to a custodian agreement.

The custodian acts as a 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. The Trust is rated AAAm by Standard and Poor’s and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 – LONG-TERM OBLIGATIONS

Authorized Debt

On November 7, 2023 (re-authorization) a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$330,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness from these elections in the following amounts allocated for the following purposes:

	Total Authorized	Remaining at December 31, 2023
Street improvements	\$ 22,000,000	\$ 22,000,000
Park and recreation facilities	22,000,000	22,000,000
Water supply improvements	22,000,000	22,000,000
Sanitary sewer system / storm drainage	22,000,000	22,000,000
Public transportation	22,000,000	22,000,000
Mosquito control	22,000,000	22,000,000
Safety protection	22,000,000	22,000,000
Television relay	22,000,000	22,000,000
Security	22,000,000	22,000,000
Operations and maintenance	22,000,000	22,000,000
Debt refunding	22,000,000	22,000,000
IGA debt	22,000,000	22,000,000
Private agreement debt	22,000,000	22,000,000
Horizontal directional drilling	22,000,000	22,000,000
Mortgage debt	22,000,000	22,000,000
Total	<u>\$ 330,000,000</u>	<u>\$ 330,000,000</u>

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

The service plan limited debt to \$22,000,000 in total for Altamira Metropolitan District's No. 2 – 5. On April 19, 2015, District's No. 1 – 5 limited District No. 5's share of service plan authorized debt to \$5,000,000.

Settlement and Release Agreement

On February 23, 2023, the District entered into an agreement with South Beebe Draw Metropolitan District and other parties, where the District would transfer certain pledged revenues related to the properties owned by Verdad Resources, LLC to South Beebe. The pledged revenues are to pay for South Beebe's Series 2023 bonds issued on behalf of the District. Although the agreement anticipated the inclusion of the Verdad property into the District's boundaries for tax year 2023, they were not included and will be included for tax year 2024. The pledge revenue for the Verdad properties is not included in the property tax receivable amount on December 31, 2023. Specific details are shown in Note 7.

NOTE 5 – NET POSITION

The District has net position consisting 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. The District's restricted net position at December 31, 2023, consists of \$15,125 for emergency reserves.

As of December 31, 2023, the District had an unrestricted net position of \$180,673.

NOTE 6 – RELATED PARTIES

Members of the Board of Directors are employees of, owners of, or otherwise associated with WEN37 Holdings, LLC, S3L Holdings, LLC, Flywheel Holdings, LLC, the Bromley Companies, H&A Minerals Holdings, LLC, and/or Bromley Park Industrial Land Company, LLC, (referred to herein as the Affiliates) and may have conflicts of interest in dealing with the District. Specific details of transactions with the Affiliates regarding organization, advances, and debt are described elsewhere in these notes.

Members of the Board of Directors are also members of the Board of Directors for the South Beebe Draw Metropolitan District and may have conflicts of interest in dealing with the District. Specific details of intergovernmental agreements between the two districts are described elsewhere in these notes.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS

Intergovernmental Agreement Regarding Property Taxes

On January 27, 2023 the District entered into an agreement with South Beebe Draw Metropolitan District to transfer Pledged Revenue after the receipt of each Tax notification to South Beebe for Deposit into the Bond Fund. See the “Settlement and Release Agreement” for details of the Pledged Revenue.

Series 2023 Bond Resolution

On February 7, 2023 the District entered into an agreement with South Beebe Draw as part of South Beebe’s bond resolution. The Series 2023 Bonds consist of two fully registered Bonds without coupons in the aggregate principal amount not to exceed \$7,000,000. The R-1 Bond will be issued to Verdad and the R-2 Bond will be issued to Monte Peak. The bonds are payable solely from the Pledged Revenue from the District, see the “Settlement and Release Agreement” for details of the Pledged Revenue.

100% of the bonds and any interest thereon shall be deemed paid, satisfied, and discharged upon payment of all Pledged Revenue collected, or should have been collected through the maturity date, regardless of the amount of principal and interest paid as of that date. Payments on the bond are due on October 15, beginning on 2024 through the maturity date of October 15, 2043.

Settlement and Release Agreement

On February 23, 2023 the District entered into an agreement with South Beebe Draw Metropolitan District, H&A Mineral Holdings LLC, South Weld Holdings LLC, Verdad Resources LLC, and Monte Peak Minerals LLC. As part of the agreement Verdad agreed to petition the Board to include their properties within the District’s boundaries anticipated for the tax year 2023. The inclusion of the properties did not occur for tax year 2023 and the District anticipates inclusion of the property for tax year 2024. The District agreed to send pledged revenues of 25% of Verdad taxes and 100% of Verdad taxes in excess of the amount attributable to the maximum mill levy to South Beebe Draw. South Beebe Draw agreed to use the pledged revenue by the District to pay the principal and Interest on their Series 2023 Bonds.

As part of the agreement the District, South Beebe, H&A and South Weld, release and discharge Verdad, Monte Peak, and any other related parties from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, whether known or unknown, which the District Parties have had, now have, or may have against any such person or entity that was made in, or could have been made in, the litigation or otherwise relates to any act, omission, matter, cause or thing whatsoever arising from or related to the litigation, respectively.

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Settlement and Release Agreement (continued)

Verdad and Monte Peak release and discharge the District and related parties from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, whether known or unknown, which the oil company parties have had, now have, or may have against any such person or entity that was made in, or could have been made in, the litigation, or otherwise relates to any act, omission, matter, cause or thing whatsoever arising from or related to the litigation, respectively.

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.

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).

ALTAMIRA METROPOLITAN DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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 7, 2023, a majority of the District's electors re-authorized the District to collect, retain, and spend, the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, public improvement fees, development fees, impact fees, service charges, inspection charges, administrative charges, grants, gifts, or any other fee, collected or received by the District during each fiscal year.

Such amounts constitute a voter-approved revenue change and are to be collected, retained, and spent by the District without regard to any spending, revenue-raising, or other limitation contained in Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by section 29-1-301, C.R.S.

On November 7, 2023, a majority of the District's electors re-authorized the District to increase taxes annually, as necessary to pay the District's administrative and operations and maintenance expenses, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expenses in each fiscal year as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by section 29-1-301, C.R.S.

On November 7, 2023, a majority of the District's electors re-authorized the District to increase taxes annually or by such greater amount as necessary for the payment of such amounts due pursuant to one or more intergovernmental agreements or other contracts, by the imposition of ad valorem property taxes levied in any year at a rate, without limitation as to rate or amount or any other condition, to pay such expenses in each fiscal year; as a voter approved revenue change, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by section 29-1-301, C.R.S.

REQUIRED SUPPLEMENTARY INFORMATION

ALTAMIRA METROPOLITAN DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 461,692	\$ 461,692	\$ 457,284	\$ (4,408)
Specific ownership taxes	27,702	27,702	19,634	(8,068)
Intergovernmental	-	7,000,000	7,000,000	-
Earnings on investments	3,500	3,500	27,285	23,785
Total revenues	<u>492,894</u>	<u>7,492,894</u>	<u>7,504,203</u>	<u>11,309</u>
<u>Expenditures</u>				
Current:				
Accounting	15,000	22,000	22,114	(114)
Accounting consulting	12,000	20,000	20,878	(878)
County treasury fees	6,925	7,200	6,852	348
Director's fees	2,500	2,500	3,500	(1,000)
District management and accounting	20,000	15,000	8,947	6,053
Dues and subscriptions	1,500	1,500	1,384	116
Insurance and bonds	3,500	3,500	2,608	892
Intergovernmental	-	1,500,000	1,500,000	-
Legal	12,500	40,000	38,449	1,551
Settlement expenditures	-	7,000,000	7,000,000	-
Other expenditures	5,500	5,500	470	5,030
Contingency reserve	15,000	50,000	-	50,000
Capital outlay	1,500,000	-	-	-
Total expenditures	<u>1,594,425</u>	<u>8,667,200</u>	<u>8,605,202</u>	<u>61,998</u>
Net change in fund balances	(1,101,531)	(1,174,306)	(1,100,999)	73,307
Fund balances - beginning	1,306,418	1,296,797	1,296,797	-
Fund balances - ending	<u>\$ 204,887</u>	<u>\$ 122,491</u>	<u>\$ 195,798</u>	<u>\$ 73,307</u>

See accompanying Independent Auditors' Report.

OTHER INFORMATION

ALTAMIRA METROPOLITAN DISTRICT NO. 5
SCHEDULE OF ASSESSED VALUATION, MILL LEVY,
AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

<u>Year ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2010	\$ 60	55.000	\$ 3	\$ -	0.00%
2011	250	55.000	14	-	0.00%
2012	430	55.000	24	24	100.00%
2013	10	55.000	1	1	100.00%
2014	31,976	55.000	1,759	1,681	95.57%
2015	17,880	55.000	983	988	100.51%
2016	144,470	55.000	7,946	5,807	73.08%
2017	218,030	55.000	11,992	14,275	119.04%
2018	1,860,110	55.000	102,306	102,306	100.00%
2019	2,534,920	55.000	139,421	139,421	100.00%
2020	1,734,360	55.000	95,390	94,289	98.85%
2021	21,509,760	55.000	1,183,037	1,182,968	99.99%
2022	5,645,180	68.000	383,872	384,382	100.13%
2023	6,782,610	68.070	461,692	457,284	99.05%

Estimated for the year
ending December 31,
2024

\$	6,712,360	68.070	456,910
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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.