

**Centennial Downs Metropolitan District
Arapahoe County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2022

Centennial Downs Metropolitan District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Centennial Downs Metropolitan District
Arapahoe County, Colorado

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
March 16, 2023

Centennial Downs Metropolitan District

STATEMENT OF NET POSITION

December 31, 2022

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 52,128 |
| Cash and investments - Restricted | 341,902 |
| Receivable - County Treasurer | 4,391 |
| Prepaid expenses | 2,571 |
| Property taxes receivable | 903,953 |
| Total assets | <u>1,304,945</u> |
| LIABILITIES | |
| Accounts payable | 4,230 |
| Accrued interest payable | 5,840 |
| General obligation bonds payable: | |
| Due within one year | 960,000 |
| Due in more than one year | 2,035,000 |
| Total liabilities | <u>3,005,070</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Gain on bond refunding, net of amortization | 16,821 |
| Property tax revenue | 903,953 |
| Total deferred inflows of resources | <u>920,774</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency reserves | 3,650 |
| Debt service | 336,296 |
| Unrestricted | (2,960,845) |
| Total net position | <u>\$ (2,620,899)</u> |

The accompanying Notes to the Financial Statements are an integral part of these statements.

Centennial Downs Metropolitan District

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenue</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|--|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| Primary government | | | | |
| General government | \$ (19,903) | \$ - | \$ - | \$ (19,903) |
| Interest on long-term debt and related costs | (91,466) | - | - | (91,466) |
| Total governmental activities | <u>\$ (111,369)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(111,369)</u> |
| General revenues: | | | | |
| | | | | 928,797 |
| | | | | 59,460 |
| | | | | 11,928 |
| | | | | <u>1,000,185</u> |
| | | | | 888,816 |
| | | | | <u>(3,509,715)</u> |
| | | | | <u>\$ (2,620,899)</u> |

The accompanying Notes to the Financial Statements are an integral part of these statements.

Centennial Downs Metropolitan District

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2022

| | General | Debt Service | Total Governmental Funds |
|---|-------------------|---------------------|---|
| ASSETS | | | |
| Cash and investments | \$ 52,128 | \$ - | \$ 52,128 |
| Cash and investments - Restricted | 3,650 | 338,252 | 341,902 |
| Receivable - County Treasurer | 507 | 3,884 | 4,391 |
| Prepaid expenses | 2,571 | - | 2,571 |
| Property taxes receivable | 104,325 | 799,628 | 903,953 |
| Total assets | 163,181 | 1,141,764 | 1,304,945 |
| LIABILITIES | | | |
| Accounts payable | 4,230 | - | 4,230 |
| Total liabilities | 4,230 | - | 4,230 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property tax revenue | 104,325 | 799,628 | 903,953 |
| Total deferred inflows of resources | 104,325 | 799,628 | 903,953 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid amounts | 2,571 | - | 2,571 |
| Restricted for: | | | |
| Emergencies | 3,650 | - | 3,650 |
| Debt service | - | 342,136 | 342,136 |
| Assigned: | | | |
| Subsequent year expenditures | 31,605 | - | 31,605 |
| Unassigned | 16,800 | - | 16,800 |
| Total fund balances | 54,626 | 342,136 | 396,762 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 163,181 | \$ 1,141,764 | |

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

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

| | |
|--|-----------------------|
| Bonds payable | (2,995,000) |
| Accrued interest payable | (5,840) |
| Gain on bond refunding, net | (16,821) |
| Net position of governmental activities | \$ (2,620,899) |

The accompanying Notes to the Financial Statements are an integral part of these statements.

Centennial Downs Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

| | <u>General</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|---|------------------|---------------------|---|
| Revenues | | | |
| Property taxes | \$ 113,478 | \$ 815,319 | \$ 928,797 |
| Specific ownership taxes | 6,862 | 52,598 | 59,460 |
| Investment earnings | 220 | 11,708 | 11,928 |
| Total revenues | <u>120,560</u> | <u>879,625</u> | <u>1,000,185</u> |
| Expenditures | | | |
| Current | | | |
| Accounting and management | 2,540 | - | 2,540 |
| Audit | 4,025 | - | 4,025 |
| Directors fees | 300 | - | 300 |
| Insurance | 3,345 | - | 3,345 |
| Legal | 7,883 | - | 7,883 |
| Office expense | 105 | - | 105 |
| Treasurer's fees | 1,705 | 12,236 | 13,941 |
| Debt service | | | |
| Interest | - | 91,962 | 91,962 |
| Principal | - | 935,000 | 935,000 |
| Total expenditures | <u>19,903</u> | <u>1,039,198</u> | <u>1,059,101</u> |
| Excess of revenues over (under) expenditures | <u>100,657</u> | <u>(159,573)</u> | <u>(58,916)</u> |
| Other financing sources (uses) | | | |
| Operating transfers in (out) | (100,000) | 100,000 | - |
| Total other financing sources and (uses) | <u>(100,000)</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balances | 657 | (59,573) | (58,916) |
| Fund balances - beginning | <u>53,969</u> | <u>401,709</u> | <u>455,678</u> |
| Fund balances - ending | <u>\$ 54,626</u> | <u>\$ 342,136</u> | <u>\$ 396,762</u> |

The accompanying Notes to the Financial Statements are an integral part of these statements.

Centennial Downs Metropolitan District

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022

Net change in fund balances - governmental funds \$ (58,916)

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

The issuance of long-term debt (e.g., bond, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|-----------------------------------|---------|
| Bond principal payment | 935,000 |
| Amortization of gain on refunding | 10,908 |

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

| | |
|---|--------------|
| Accrued interest on bonds payable - change in liability | <u>1,824</u> |
|---|--------------|

| | |
|---|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 888,816</u></u> |
|---|--------------------------|

Centennial Downs Metropolitan District

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

For the Year Ended December 31, 2022

| | Original and Final Budget Amounts | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|--|---------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 108,697 | \$ 113,478 | \$ 4,781 |
| Specific ownership taxes | 7,000 | 6,862 | (138) |
| Investment earnings | - | 220 | 220 |
| Total revenues | <u>115,697</u> | <u>120,560</u> | <u>4,863</u> |
| EXPENDITURES | | | |
| Accounting and management | 4,500 | 2,540 | 1,960 |
| Audit | 4,100 | 4,025 | 75 |
| Contingency | 16,000 | - | 16,000 |
| Directors fees | 500 | 300 | 200 |
| Insurance | 2,600 | 3,345 | (745) |
| Legal | 6,000 | 7,883 | (1,883) |
| Office expense | 600 | 105 | 495 |
| Repairs and Maintenance | 5,000 | - | 5,000 |
| Treasurer's fees | 1,700 | 1,705 | (5) |
| Total expenditures | <u>41,000</u> | <u>19,903</u> | <u>21,097</u> |
| Excess of revenues over expenditures | <u>74,697</u> | <u>100,657</u> | <u>25,960</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers (out) | (100,000) | (100,000) | - |
| Total other financing sources (uses) | <u>(100,000)</u> | <u>(100,000)</u> | <u>-</u> |
| Net change in fund balances | <u>(25,303)</u> | <u>657</u> | <u>25,960</u> |
| Fund balances - beginning | <u>50,844</u> | <u>53,969</u> | <u>3,125</u> |
| Fund balances - ending | <u>\$ 25,541</u> | <u>\$ 54,626</u> | <u>\$ 29,085</u> |

The accompanying Notes to the Financial Statements are an integral part of these statements.

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Note 1 – Summary of significant accounting policies

A. Reporting entity

Centennial Downs Metropolitan District (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado organized on September 6, 1983. The District was organized to provide water and sanitation facilities and services, street improvements and safety protection for its inhabitants. The District derives its revenue principally from general property taxes.

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

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

As of December 31, 2022 no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer 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

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2022

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

C. 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. Property taxes are recognized as revenues in the year for which they are levied.

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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when the District receives the cash.

The government reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

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 they are needed.

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2022

D. Use of estimates

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

E. Pooled cash and investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

F. Interfund Balances

The District reports interfund balances (receivables and payables) that are representative of agreements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

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

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

H. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. In accordance with the Colorado State Budget Law, the District's Board of Directors follow these procedures in establishing the budgetary data reflected in the financial statements:

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2022

1. On or before October 15, the Board prepares a proposed operating budget for each fund, based on their respective basis of accounting, for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held on the proposed budget.
3. After considering comments received, the budget is formally adopted by resolution.
4. On or before December 15, the required mill levy is adopted by resolution. The mill levy is then certified to the County Commissioners.
5. Before December 31, the expenditures are appropriated for the ensuing year. The appropriation is at the total fund level and lapses at year-end.

I. Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item deferred gain on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunded debt.

J. Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Centennial Downs Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

Note 2 – Cash and investments

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

| | |
|-----------------------------------|--------------------------|
| Statement of net position: | |
| Cash and investments | \$ 52,128 |
| Cash and investments - Restricted | <u>341,902</u> |
| Total cash and investments | <u><u>\$ 394,030</u></u> |

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2022

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

| | | |
|----------------------------|----|-----------------------|
| Demand deposits | \$ | 1,648 |
| Certificate of deposits | | 264,996 |
| Investments | | <u>127,386</u> |
| Total cash and investments | \$ | <u><u>394,030</u></u> |

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022, the District's cash deposits had a bank balance and a carrying balance of \$266,644.

Investments

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments.

The District generally limits its investment to those 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 credit risk for investments that are in the possession of another party.

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

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

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2022

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

Fair Value Measurement and Application

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; and Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

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

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|-------------------|
| Colorado Local Government Liquid Asset Trust (Colotrust) | Weighted-Average Under 60 Days | <u>\$ 127,386</u> |

Colotrust

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios: Colotrust Prime, Colotrust Plus, and Colotrust Edge.

Colotrust Prime and Colotrust Plus operate similarly to a money market fund and each share is equal in value to \$1.00. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. Colotrust Plus may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. Both portfolios are rated AAAM by Standard and Poor's.

Colotrust Edge is managed to approximate a \$10.00 transactional share price. Colotrust Edge may invest in securities authorized by CRS 24-75-601, including U.S. Treasury

Centennial Downs Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022

securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and highest rated commercial paper. Colotrust Edge is rated AAAf/S1 by Fitch Ratings.

A designated custodial bank serves as custodian for the Trust's investment portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. Colotrust records its investments at fair value and the District records its investment in Colotrust at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District invested in the Colotrust Prime portfolio during 2022.

Note 3 – Long-term debt

A. Changes in long-term debt

Changes in long-term debt for the year ended December 31, 2022 are summarized as follows:

| | Balance at December 31, 2021 | Additions | Reductions | Balance at December 31, 2022 | Due Within One Year |
|--------------------------------------|------------------------------------|-------------|-------------------|------------------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| G.O. Refunding Bonds, Series 2014 | \$ 3,930,000 | \$ - | \$ 935,000 | \$ 2,995,000 | \$ 960,000 |
| Total | <u>\$ 3,930,000</u> | <u>\$ -</u> | <u>\$ 935,000</u> | <u>\$ 2,995,000</u> | <u>\$ 960,000</u> |

B. Series 2014 General Obligation Refunding Bonds

Series 2014 bonds are term bonds, initially dated September 3, 2014, aggregating \$9,815,000, in denominations of \$5,000 each or any integral multiple thereof, subject to mandatory redemption (by reference to a debt schedule described below). The bonds shall mature on December 1, 2025 and bear interest at the rate of 2.34% per annum, payable on each June 1 and December 1, commencing on December 1, 2014. The maximum net effective interest rate authorized for this issue of Bonds is 2.50% and the actual net effective interest rate of the Bonds does not and shall not exceed such maximum rate.

C. Refunding

On September 3, 2014, the District advance refunded and defeased (debt legally satisfied) all remaining Series 1999 General Obligation Refunding bonds by the

Centennial Downs Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022

issuance of \$9,815,000 General Obligation Refunding bonds dated September 3, 2014 with an interest rate of 2.34%. The District refunded the 1999 Series bonds to reduce its total debt service payments over the next 14 years by \$3,273,082 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,664,579. The defeased bonds are not considered a liability of the District since sufficient funds in the amount of \$10,918,706 were deposited with a trustee in an irrevocable escrow fund for the purpose of paying the principal and interest of the defeased bonds.

In the government-wide statements, the District incurred a gain on bond refunding in the amount of \$176,268, which has been deferred and is being amortized over the life of the new debt. The balance as of December 31, 2022 is \$16,821.

D. Debt maturities

Debt maturities for the next five years and to maturity are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 960,000 | \$ 70,083 | \$ 1,030,083 |
| 2024 | 1,005,000 | 47,619 | 1,052,619 |
| 2025 | 1,030,000 | 24,102 | 1,054,102 |
| Total | <u>\$ 2,995,000</u> | <u>\$ 141,804</u> | <u>\$ 3,136,804</u> |

Note 4 – Net position

The District's net position consists of two components - restricted and unrestricted.

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District has restricted net position of \$339,946 as of December 31, 2022 as follows:

| | Governmental Activities |
|-------------------------------|------------------------------------|
| Restricted net position: | |
| Emergency reserve | \$ 3,650 |
| Debt service | 336,296 |
| Total restricted net position | <u>\$ 339,946</u> |

Centennial Downs Metropolitan District

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2022

The District's unrestricted net position as of December 31, 2022 totaled (\$2,960,845). This deficit is primarily due to the effects of the District's bond indebtedness, which remains the obligation of the District. The proceeds were used to construct capital assets which were deeded over to the City of Littleton for care and maintenance when construction was complete.

Note 5 – Interfund Transfers

During 2022, \$100,000 was transferred from the general fund to the debt service fund for purposes of assisting with bond principal and interest payments.

Note 6 - Risk management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to personnel, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Note 7 - Tax, spending and debt limitation

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

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

In November 1993, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 1993 and any year thereafter, without regard to any limitations under TABOR.

Centennial Downs Metropolitan District

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2022

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

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SUPPLEMENTAL INFORMATION

Centennial Downs Metropolitan District

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

For the Year Ended December 31, 2022

| | <u>Original and Final Budget Amounts</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|--|---------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 833,137 | \$ 815,319 | \$ (17,818) |
| Specific ownership taxes | 50,000 | 52,598 | 2,598 |
| Investment earnings | 1,000 | 11,708 | 10,708 |
| Total revenues | <u>884,137</u> | <u>879,625</u> | <u>(4,512)</u> |
| EXPENDITURES | | | |
| Paying agent fees | 500 | - | 500 |
| Treasurer's fees | 12,000 | 12,236 | (236) |
| Interest | 91,962 | 91,962 | - |
| Principal | 935,000 | 935,000 | - |
| Total expenditures | <u>1,039,462</u> | <u>1,039,198</u> | <u>264</u> |
| Excess of expenditures over (under) revenues | (155,325) | (159,573) | (4,248) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 100,000 | 100,000 | - |
| Total other financing sources (uses) | <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balances | <u>(55,325)</u> | <u>(59,573)</u> | <u>(4,248)</u> |
| Fund balances - beginning | <u>382,555</u> | <u>401,709</u> | <u>19,154</u> |
| Fund balances - ending | <u>\$ 327,230</u> | <u>\$ 342,136</u> | <u>\$ 14,906</u> |

Centennial Downs Metropolitan District

DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2022

\$9,815,000

General Obligation

Refunding Bond, Series 2014

Dated September 3, 2014

Bonds
and Interest
Maturing
in the
Year Ending
December 31,

Interest Payable on June 1 and
Principal and Interest Payable December 1

| | Principal | Interest | Total |
|------|---------------------|-------------------|---------------------|
| 2023 | \$ 960,000 | \$ 70,083 | \$ 1,030,083 |
| 2024 | 1,005,000 | 47,619 | 1,052,619 |
| 2025 | 1,030,000 | 24,102 | 1,054,102 |
| | <u>\$ 2,995,000</u> | <u>\$ 141,804</u> | <u>\$ 3,136,804</u> |

Centennial Downs Metropolitan District

**FIVE-YEAR SUMMARY OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED**

December 31, 2022

| Year ended December 31, | Prior year assessed valuation for current year property tax levy | | Mills levied for General fund | Mills levied for Debt Service fund | Total property taxes | | Percent collected to levied |
|---|---|---------------|--|---|-------------------------|------------|-----------------------------------|
| | General | Debt Service | | | Levied | Collected | |
| 2018 | \$ 47,454,431 | \$ 47,454,431 | 2.064 | 18.000 | \$ 952,126 | \$ 932,877 | 98.0% |
| 2019 | \$ 47,957,579 | \$ 47,957,579 | 2.064 | 17.000 | \$ 914,263 | \$ 884,128 | 96.7% |
| 2020 | \$ 53,846,507 | \$ 53,846,507 | 1.950 | 14.000 | \$ 859,229 | \$ 847,520 | 98.6% |
| 2021 | \$ 52,792,174 | \$ 52,792,174 | 1.957 | 15.000 | \$ 895,197 | \$ 899,137 | 100.4% |
| 2022 | \$ 55,542,489 | \$ 55,542,489 | 1.957 | 15.000 | \$ 941,834 | \$ 928,797 | 98.6% |
| Estimated for calendar year ending December 31, 2023 | \$ 53,308,529 | \$ 53,308,529 | 1.957 | 15.000 | \$ 903,953 | | |

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.