

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
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Board of Directors  
Lorson Ranch Metropolitan District No 4  
El Paso County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lorson Ranch Metropolitan District No 4 (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 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 Lorson Ranch Metropolitan District No 4 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## Other Matters

### Required Supplemental Information

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

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

### Other Information

Management is responsible for the other information included in our report. The other information, as listed in the table of contents, 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, accordingly, we do not express an opinion or provide any assurance on them.

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.

*Wipfli LLP*

Wipfli LLP  
Denver, Colorado

September 27, 2024

## **BASIC FINANCIAL STATEMENTS**

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 561,985
Account Receivable - County Treasurer	15,655
Property Taxes Receivable	<u>2,756,207</u>
Total Assets	<u>3,333,847</u>
<b>LIABILITIES</b>	
Due to District No. 1	2,609
Accrued Interest Payable	205,726
Noncurrent Liabilities:	
Due in More Than One Year	<u>61,248,804</u>
Total Liabilities	<u>61,457,139</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>2,756,207</u>
Total Deferred Inflows of Resources	<u>2,756,207</u>
<b>NET POSITION</b>	
Restricted for:	
Debt Service	369,305
Unrestricted	<u>(61,248,804)</u>
Total Net Position	<u><u>\$ (60,879,499)</u></u>

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

		Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				Net Revenues (Expenses) and Change in Net Position
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Governmental Activities:					
General Government	\$ 29,201	\$ -	\$ -	\$ -	\$ (29,201)
Intergovernmental Expenditures	353,545	-	-	-	(353,545)
Capital Dedication to Lorson Ranch MD No. 1	17,319,881	-	-	-	(17,319,881)
Interest on Long-Term Debt	8,722,722	-	-	-	(8,722,722)
Total Governmental Activities	<u>\$ 26,425,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(26,425,349)</u>
<b>GENERAL REVENUES</b>					
Property Taxes					1,945,744
Specific Ownership Taxes					203,793
Net Investment Income					76,633
Total General Revenues					<u>2,226,170</u>
Special Items:					
Transfer from District No. 1					9,347
Total Special Items					<u>9,347</u>
<b>CHANGE IN NET POSITION</b>					(24,189,832)
Net Position - Beginning of Year					<u>(36,689,667)</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ (60,879,499)</u>

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments - Restricted	\$ -	\$ 561,985	\$ -	\$ 561,985
Account Receivable - County Treasurer	2,609	13,046	-	15,655
Property Taxes Receivable	459,362	2,296,845	-	2,756,207
Total Assets	\$ 461,971	\$ 2,871,876	\$ -	\$ 3,333,847
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to District No. 1	\$ 2,609	\$ -	\$ -	\$ 2,609
Total Liabilities	2,609	-	-	2,609
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	459,362	2,296,845	-	2,756,207
Total Deferred Inflows of Resources	459,362	2,296,845	-	2,756,207
 <b>FUND BALANCES</b>				
Restricted for:				
Debt Service	-	575,031	-	575,031
Total Fund Balances	-	575,031	-	575,031
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 461,971	\$ 2,871,876	\$ -	
 Amounts reported for governmental activities in the statement of net position are different because:				
 Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.				
Bonds Payable				(49,358,325)
Accrued Interest on Bonds Payable				(205,726)
Developer Advance Payable				(10,749,259)
Accrued Interest on Developer Advance				(1,141,220)
Net Position of Governmental Activities				\$ (60,879,499)

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 324,286	\$ 1,621,458	\$ -	\$ 1,945,744
Specific Ownership Tax	33,965	169,828	-	203,793
Net Investment Income	161	76,472	-	76,633
Total Revenues	<u>358,412</u>	<u>1,867,758</u>	<u>-</u>	<u>2,226,170</u>
<b>EXPENDITURES</b>				
Current:				
County Treasurer's Fee	4,867	24,334	-	29,201
Intergovernmental Expenditures - District No. 1	353,545	-	-	353,545
Bond Interest - Series 2022	-	3,054,214	-	3,054,214
Total Expenditures	<u>358,412</u>	<u>3,078,548</u>	<u>-</u>	<u>3,436,960</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(1,210,790)	-	(1,210,790)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Issuance	-	-	16,400,000	16,400,000
Developer Advances	-	-	17,319,881	17,319,881
Repay Developer Advance and Accrued Interest	-	-	(16,400,000)	(16,400,000)
Capital Dedication to Lorson Ranch MD No. 1	-	-	(17,319,881)	(17,319,881)
Transfers From District No. 1	-	9,347	-	9,347
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,347</u>	<u>-</u>	<u>9,347</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(1,201,443)	-	(1,201,443)
Fund Balances - Beginning of Year	<u>-</u>	<u>1,776,474</u>	<u>-</u>	<u>1,776,474</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 575,031</u>	<u>\$ -</u>	<u>\$ 575,031</u>

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Governmental Funds \$ (1,201,443)

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

Long-term debt (e.g., bonds, notes, developer advances) 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.

Bond Issuance	(16,400,000)
Developer Advances	(17,319,881)
Developer Advance Payment	11,977,276

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

Accrued Interest on Developer Advance - Change in Liability	(1,120,623)
Accrued Interest on Bonds Payable - Change in Liability	<u>(125,161)</u>

Change in Net Position of Governmental Activities \$ (24,189,832)

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
GENERAL FUND –  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 324,365	\$ 324,286	\$ (79)
Specific Ownership Tax	33,734	33,965	231
Net Investment Income	-	161	161
Contingency	1,000	-	(1,000)
Total Revenues	359,099	358,412	(687)
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	4,865	4,867	(2)
Contingency	1,000	-	1,000
Intergovernmental Expenditures - District No. 1	353,234	353,545	(311)
Total Expenditures	359,099	358,412	687
<b>NET CHANGES IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Lorson Ranch Metropolitan District No. 4 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed on December 2, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in El Paso County, Colorado. The District was established to provide financing for the acquisition, construction, and installation of streets, traffic and safety controls, parks and recreational facilities, water, storm drainage, sanitation, fire protection, and mosquito control.

The District was formed under the Consolidated Service Plan in conjunction with Lorson Ranch Metropolitan Districts Nos. 1, 2, 3, and 5-7. District No. 1 will serve as the Service District with the responsibility of managing the construction and operation of facilities and improvements needed for the public improvements. District Nos. 2-7 will serve as the Financing Districts with the responsibility of providing the funding and tax base needed to support the capital improvements and operations to serve the community known as Lorson Ranch.

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

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

The District is not financially accountable for any other organization (including District Nos. 1, 2, 3, and 5-7), 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.

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

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

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

The District reports the following major governmental funds:

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

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

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

The effect of interfund activity has been eliminated from the government-wide financial statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Budgets**

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

The District amended its annual budget for the year ended December 31, 2023.

**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 account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**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 one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

**Equity**

**Net Position**

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

**Fund Balance**

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

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

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

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2023**

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments - Restricted	\$ 561,985
Total Cash and Investments	\$ 561,985

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

Deposits with Financial Institutions	\$ 3,688
Investments	558,297
Total Cash and Investments	\$ 561,985

**Deposits with Financial Institutions**

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

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

At December 31, 2023, the District's cash deposits had a bank balance and carrying balance of \$3,688.

**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 or investment custodial risk disclosure requirements 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.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2023**

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

**Investments (Continued)**

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse 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	Amount
Morgan Stanley Government Money Market Funds	Weighted-Average under 60 Days	\$ 558,297

**Morgan Stanley Government Money Market Funds**

The debt service money that is included in the trust accounts at Zions Bank is invested in the Morgan Stanley Government Money Market Funds. This portfolio is a money market fund that is managed by Morgan Stanley and each share is equal in value to \$1.00. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Payments	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
Series 2022A - Limited Tax General Obligation Bonds	\$ 32,958,325	\$ -	\$ -	\$ 32,958,325	\$ -
Series 2022B - Limited Tax General Obligation Subordinate Bonds	-	16,400,000	-	16,400,000	-
Bonds Payable Subtotal	32,958,325	16,400,000	-	49,358,325	-
Loans and Notes from Direct Borrowings and Direct Placements:					
Developer Advances:					
Developer Advance - Capital	5,406,654	-	-	5,406,654	-
Developer Advance - Regional Capital	-	17,319,881	11,977,276	5,342,605	-
Accrued Interest on Developer Advances - Capital	20,597	553,413	-	574,010	-
Advances - Regional Capital	-	4,989,934	4,422,724	567,210	-
Developer Advances Subtotal	5,427,251	22,863,228	16,400,000	11,890,479	-
Total Long-Term Obligations	<u>\$ 38,385,576</u>	<u>\$ 39,263,228</u>	<u>\$ 16,400,000</u>	<u>\$ 61,248,804</u>	<u>\$ -</u>

**\$41,260,000 Limited Tax General Obligation Draw Down Bonds, Series 2022A<sup>(3)</sup> and \$16,400,000 Limited Tax General Obligation Subordinate Bonds, Series 2022B<sup>(3)</sup>**

The Board approved a resolution on November 28, 2022, authorizing the District to issue Limited Tax General Obligation Draw Down Bonds, Series 2022A<sup>(3)</sup> (Series 2022A Bonds) in the par amount of \$41,260,000 and Limited Tax General Obligation Subordinate Draw Down Bonds, Series 2022B<sup>(3)</sup> (Series 2022B Bonds) in the par amount of \$16,400,000. The Series 2022A Bonds and Series 2022B Bonds (collectively, the Series 2022 Bonds) will be issued on a “drawdown” basis, so that advances of the purchase price of the Series 2022 Bonds will be made by the Bond Purchaser to the Trustee in multiple installments in accordance with the terms and provisions of the authorizing resolution. The initial drawdown on the Series 2022A Bonds amount on the closing date of December 15, 2022, was \$32,958,325. The Series 2022B Bonds were drawn down in 2023. The remaining drawdown amount of \$8,301,675 for the Series 2022A Bonds will be drawn during 2024 and 2025. The Series 2022 Bonds were issued for the purposes of financing certain Public Improvements related to the Development.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$41,260,000 Limited Tax General Obligation Draw Down Bonds, Series 2022A<sup>(3)</sup> and \$16,400,000 Limited Tax General Obligation Subordinate Bonds, Series 2022B<sup>(3)</sup>**  
**(Continued)**

Proceeds of the Bonds

The proceeds from the sale of the District Series 2022A Bonds are used to satisfy the District's current and anticipated future obligations to the Service District under the Master IGA to pay its allocable share of Capital Costs of public improvements that benefit the District and will and which have been funded by the Developer pursuant to the Developer Funding Agreements and prior developer capital funding agreements. The proceeds from the sale of the District Series 2022B Bonds are used to satisfy the District's current and anticipated future obligations to the Service District under the Master IGA to pay its allocable share of Capital Costs of regional public improvements and will and which have been funded by the Developer pursuant to the Developer Funding Agreements and prior developer capital funding agreements.

Series 2022A Bonds Details

The Series 2022A Bonds bear interest at a rate of 5.50% payable semi-annually on June 1 and December 1, beginning on June 1, 2023 from, and to the extent of, Pledged Revenue available, if any. The Series 2022A Bonds mature on December 1, 2057, and are subject to mandatory sinking fund redemption, beginning on December 1, 2034, and on each December 1 thereafter prior to the maturity date of such bonds.

Series 2022B Bonds Details

The Series 2022B Bonds bear interest at the rate of 8.0% per annum and are payable annually on December 15, beginning December 15, 2023, but only to the extent of available Subordinate Pledged Revenue. The Series 2022B Bonds mature on December 15, 2057. The Series 2022B Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to their maturity date. Unpaid interest on the Series 2022B Bonds compounds annually on each December 15. In the event any amounts due and owing on the Series 2022B Bonds remain outstanding on December 31, 2066, such amounts shall be extinguished and no longer be due and outstanding.

Series 2022A Bonds Optional Redemption

The Series 2022A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on December 1, 2032, and on any date thereafter, at a redemption price equal to the principal amount of the Series 2022A Bonds or portion thereof so redeemed plus accrued interest to the date of the redemption, without redemption premium.

Series 2022B Bonds Optional Redemption

The Series 2022B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on December 15, 2032, and on any date thereafter, at a redemption price equal to the principal amount of the Series 2022B Bonds or portion thereof so redeemed plus accrued interest to the date of the redemption, without redemption premium.

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$41,260,000 Limited Tax General Obligation Draw Down Bonds, Series 2022A<sup>(3)</sup> and \$16,400,000 Limited Tax General Obligation Subordinate Bonds, Series 2022B<sup>(3)</sup> (Continued)**

**Series 2022A Bonds Pledged Revenue**

The Series 2022A Bonds are secured by and payable solely from and to the extent of Pledged Revenue, net of the cost of collection, which is defined generally in the District Senior Authorizing Resolution as:

- a) Pledged Property Tax Revenues;
- b) Pledged Specific Ownership Taxes; and
- c) any other legally available moneys that District No. 4 determines in its sole discretion to credit to the Bond Fund.

**Series 2022B Bonds Pledged Revenue**

The Series 2022B Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of the cost of collection, which is defined generally in the District Subordinate Authorizing Resolution as:

- a) Subordinate Property Tax Revenues (including property tax revenues of District No. 3 from the imposition of the Subordinate Required Mill Levy pursuant to the Subordinate Pledge Agreement);
- b) Subordinate Specific Ownership Tax Revenues; and
- c) any other legally available moneys which District No. 4 determines, in its absolute discretion, to credit to the Subordinate Bond Fund for application as Subordinate Pledged Revenue.

The outstanding principal and interest due on the Bonds are not currently determinable since the Bonds are paid from cash flows when drawn down. Because of the uncertainty of the timing of the principal and interest payments on the Series 2022A and Series 2022B Bonds, no schedule of principal and interest payments is presented.

**Developer Advances**

The District has entered into Funding and Reimbursement Agreements with Eagle Development Company (Developer) as follows:

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Funding and Reimbursement Agreement for Capital Costs (Continued)**

On February 3, 2020, the District entered into an agreement with the Developer. The Developer has agreed to advance up to \$300,000,000 through February 3, 2021, to fund the costs of capital projects. The agreement is subject to renewal on an annual basis as deemed appropriate by the Developer. Such advances include an interest rate of 2.00% plus the current Federal Reserve Board Prime rate and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This agreement matured on February 3, 2021 and was extended through December 31, 2024. As of December 31, 2023, outstanding principal for Capital advances totaled \$10,749,249 and accrued interest due totaled \$1,141,220.

During 2023, the District dedicated capital infrastructure of \$17,319,881 to Lorson Ranch Metropolitan District No. 1.

**Authorized Debt**

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$640,000,000 at an interest rate to be determined by the District's Board of Directors. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Series 2022A Bonds (Draw 1)	Series 2022B Bonds	Authorized But Unissued
Streets	\$ 80,000,000	\$ 11,527,377	\$ 8,577,291	\$ 59,895,332
Water Supply	80,000,000	5,621,732	1,332,300	73,045,968
Sanitary Sewer	80,000,000	12,942,714	4,786,592	62,270,694
Parks and Recreation	80,000,000	2,834,737	1,702,921	75,462,342
Traffic and Safety	80,000,000	31,765	896	79,967,339
Mosquito Control	80,000,000	-	-	80,000,000
Debt Operations	80,000,000	-	-	80,000,000
Debt Refunding	80,000,000	-	-	80,000,000
Total	<u>\$ 640,000,000</u>	<u>\$ 32,958,325</u>	<u>\$ 16,400,000</u>	<u>\$ 590,641,675</u>

**NOTE 5 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 NET POSITION (CONTINUED)**

Restricted Net Position:

Debt Service	\$ 369,305
Total Restricted Net Position	<u>\$ 369,305</u>

The District has a deficit in unrestricted net position. This deficit amount was a result of the District being responsible for the financing and repayment of debt obligations and advances for the construction of public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 6 RELATED PARTIES**

The members of the Board of Directors of the District are employees of, or otherwise associated with Eagle Development Company, and may have conflicts of interest in dealing with the District. See Note 4 concerning advances made by the Developer. Any potential conflicts have been filed in accordance with Colorado Law.

**NOTE 7 INTERGOVERNMENTAL AGREEMENT**

**District Facilities Construction and Service Agreement**

On January 27, 2005, the District entered into a District Facilities Construction and Service Agreement (Master IGA) with Lorson Ranch Metropolitan District No. 1 (Service District) and Nos. 2, 3, and 5–7 (Financing Districts). Under the terms of the agreement, the Financing Districts will, over a period of years, levy sufficient taxes to pay to the service District the costs of construction, acquisition, and equipping of certain public facilities and services and the related operations and maintenance costs.

In return, the Service District has agreed to acquire, construct, and equip the facilities, provide for their operations and maintenance, and provide service to the property within District Nos. 1–7 or convey facilities to other entities that will provide the service.

**NOTE 8 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 employees; or acts of God.

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

**LORSON RANCH METROPOLITAN DISTRICT NO. 4**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 8 RISK MANAGEMENT (CONTINUED)**

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.

**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 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 transfers its net operating revenue to the Service District. Therefore, the Emergency Reserves related to the District's revenues are reported in the Service District.

On November 2, 2004, the District voters passed an election question allowing the District to increase property taxes up to \$1,000,000 annually, without limitation of rate, and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Sections 29-2-301, C. R. S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend, or retain all revenue without regard to any limitations under TABOR.

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.

## **SUPPLEMENTARY INFORMATION**

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
DEBT SERVICE FUND –  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 1,621,857	\$ 1,621,458	\$ 1,621,458	\$ -
Specific Ownership Tax	168,673	169,828	169,828	-
Net Investment Income	-	76,472	76,472	-
Contingency	2,000	-	-	-
Total Revenues	<u>1,792,530</u>	<u>1,867,758</u>	<u>1,867,758</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
County Treasurer's Fee	24,328	24,334	24,334	-
Contingency	2,000	21,452	-	21,452
Debt Service:				
Bond Interest - Senior Bonds	1,963,050	1,742,214	1,742,214	-
Bond Interest - Subordinate Bonds	335,000	1,312,000	1,312,000	-
Total Expenditures	<u>2,324,378</u>	<u>3,100,000</u>	<u>3,078,548</u>	<u>21,452</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(531,848)	(1,232,242)	(1,210,790)	21,452
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From District No. 3	335,000	-	-	-
Transfers From District No. 1	-	9,347	9,347	-
Total Other Financing Sources (Uses)	<u>335,000</u>	<u>9,347</u>	<u>9,347</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCE</b>	(196,848)	(1,222,895)	(1,201,443)	21,452
Fund Balance - Beginning of Year	<u>1,781,412</u>	<u>1,776,474</u>	<u>1,776,474</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,584,564</u>	<u>\$ 553,579</u>	<u>\$ 575,031</u>	<u>\$ 21,452</u>

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
CAPITAL PROJECTS FUND –  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Capital Outlay:				
Bond Issue Costs	40,000	-	-	-
Total Expenditures	40,000	-	-	-
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(40,000)	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Issuance	8,301,675	16,400,000	16,400,000	-
Developer Advances	8,301,675	17,319,881	17,319,881	-
Repay Developer Advance and Accrued Interest	(8,301,675)	(16,400,000)	(16,400,000)	-
Capital Dedication to Lorson Ranch MD No. 1	(8,261,675)	(17,319,881)	(17,319,881)	-
Total Other Financing Sources (Uses)	40,000	-	-	-
<b>NET CHANGES IN FUND BALANCE</b>	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -

**OTHER INFORMATION – UNAUDITED**

**LORSON RANCH METROPOLITAN DISTRICT NO. 4  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2023**

Levy Year/ Collection Year	Prior Year Assessed Valuation for Current Year Property Tax Levy	Percentage Change	Mills Levied		Property Taxes		Percentage Collected to Levied
			General	Debt Service	Levied	Collected	
2018/2019	\$ 207,680	214.05%	8.750	50.000	\$ 12,201	\$ 12,204	100.02%
2019/2020	710,660	242.19%	11.132	55.663	47,468	47,470	100.01%
2020/2021	9,626,970	1254.65%	11.132	55.663	643,033	642,851	99.97%
2021/2022	18,789,010	95.17%	11.132	55.663	1,255,012	1,255,008	100.00%
2022/2023	28,321,460	50.73%	11.453	57.266	1,946,222	1,945,744	99.98%
<u>Estimated</u>							
2023/2024	\$ 34,572,290	22.07%	13.287	66.436	\$ 2,756,207		

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.