

NEU TOWNE METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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Board of Directors
Neu Towne Metropolitan District
Douglas County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Neu Towne Metropolitan District (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 Neu Towne Metropolitan District 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.

Supplemental 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 supplemental 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 supplemental 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.



Wipfli LLP
Denver, Colorado

July 24, 2024

NEU TOWNE METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 98,166	\$ -	\$ -	\$ 98,166	\$ -	\$ 98,166
Cash and investments - restricted	592	693,965	77,263	771,820	-	771,820
Receivable county treasurer	282	3,383	-	3,665	-	3,665
Property taxes receivable	47,985	807,164	-	855,149	-	855,149
Prepaid expenses	2,671	-	-	2,671	-	2,671
Capital assets not being depreciated	-	-	-	-	2,644,642	2,644,642
Total Assets	<u>\$ 149,696</u>	<u>\$ 1,504,512</u>	<u>\$ 77,263</u>	<u>\$ 1,731,471</u>	<u>2,644,642</u>	<u>4,376,113</u>
LIABILITIES						
Accounts payable	\$ 48,019	\$ -	\$ 46,949	\$ 94,968	-	94,968
Retainage payable	-	-	30,736	30,736	-	30,736
Accrued interest on bonds	-	-	-	-	1,236,681	1,236,681
Long-term liabilities						
Due within one year	-	-	-	-	120,000	120,000
Due in more than one year	-	-	-	-	12,146,462	12,146,462
Total Liabilities	<u>48,019</u>	<u>-</u>	<u>77,685</u>	<u>125,704</u>	<u>13,503,143</u>	<u>13,628,847</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>47,985</u>	<u>807,164</u>	<u>-</u>	<u>855,149</u>	<u>-</u>	<u>855,149</u>
Total Deferred Inflows of Resources	<u>47,985</u>	<u>807,164</u>	<u>-</u>	<u>855,149</u>	<u>-</u>	<u>855,149</u>
FUND BALANCE						
Nonspendable						
Prepaid expenses	2,671	-	-	2,671	(2,671)	-
Restricted for:						
Debt service	-	697,348	-	697,348	(697,348)	-
Emergencies	592	-	-	592	(592)	-
Unassigned	<u>50,429</u>	<u>-</u>	<u>(422)</u>	<u>50,007</u>	<u>(50,007)</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>53,692</u>	<u>697,348</u>	<u>(422)</u>	<u>750,618</u>	<u>(750,618)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 149,696</u>	<u>\$ 1,504,512</u>	<u>\$ 77,263</u>	<u>\$ 1,731,471</u>		
NET POSITION						
Restricted for:						
Emergencies					592	592
Unrestricted:					<u>(10,108,475)</u>	<u>(10,108,475)</u>
Total Net Position (Deficit)					<u>\$ (10,107,883)</u>	<u>\$ (10,107,883)</u>

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

NEU TOWNE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 11,205	\$ -	\$ -	\$ 11,205	\$ -	\$ 11,205
Election expense				-	-	-
Insurance	2,871	-	-	2,871	-	2,871
Legal	16,036	-	-	16,036	-	16,036
Treasurer's fees	705	8,466	-	9,171	-	9,171
Utilities	7,711	-	-	7,711	-	7,711
Capital improvements	-	-	14,060	14,060	(14,060)	-
Bond principal	-	85,000	-	85,000	(85,000)	-
Bond interest expense	-	461,863	-	461,863	247,933	709,796
Paying agent fees	-	6,000	-	6,000	-	6,000
Developer advance interest expense	-	-	-	-	45,461	45,461
Total Expenditures	<u>38,528</u>	<u>561,329</u>	<u>14,060</u>	<u>613,917</u>	<u>194,334</u>	<u>808,251</u>
GENERAL REVENUES						
Property taxes	47,007	564,126	-	611,133	-	611,133
Specific ownership taxes	4,359	52,314	-	56,673	-	56,673
Interest and other income	24,799	39,497	10,687	74,983	-	74,983
Total General Revenues	<u>76,165</u>	<u>655,937</u>	<u>10,687</u>	<u>742,789</u>	<u>-</u>	<u>742,789</u>
CHANGE IN FUND BALANCE	37,637	94,608	(3,373)	128,872	(128,872)	
CHANGE IN NET POSITION					(65,462)	(65,462)
FUND BALANCE/NET POSITION (DEFICIT)						
BEGINNING OF YEAR	<u>16,055</u>	<u>602,740</u>	<u>2,951</u>	<u>621,746</u>	<u>(10,664,167)</u>	<u>(10,042,421)</u>
END OF YEAR	<u>\$ 53,692</u>	<u>\$ 697,348</u>	<u>\$ (422)</u>	<u>\$ 750,618</u>	<u>\$ (10,858,501)</u>	<u>\$ (10,107,883)</u>

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

NEU TOWNE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 47,007	\$ 47,007	\$ -
Specific ownership taxes	3,290	4,359	1,069
Interest and other income	100	24,799	24,699
 Total Revenues	 50,397	 76,165	 25,768
 EXPENDITURES			
Accounting and audit	5,000	11,205	(6,205)
Insurance	3,500	2,871	629
Legal	10,000	16,036	(6,036)
Maintenance/Utilities	10,000	7,711	2,289
Miscellaneous expenses	500	-	500
Treasurer's fees	705	705	-
Capital improvements	20,000	-	20,000
Contingency	21,719	-	21,719
Emergency reserve	591	-	591
 Total Expenditures	 72,015	 38,528	 33,487
 CHANGE IN FUND BALANCE	 (21,618)	 37,637	 59,255
 FUND BALANCE - BEGINNING OF YEAR	 21,618	 16,055	 (5,563)
 FUND BALANCE - END OF YEAR	 \$ -	 \$ 53,692	 \$ 53,692

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

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Neu Towne Metropolitan District (the “District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 18, 2004, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide street, traffic and safety, water, sanitary sewer, and parks and recreation improvements and facilities within and without the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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

The District reports the following major governmental funds:

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

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. The total appropriations were amended in the Capital Projects Fund and Debt Service Fund.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

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

Deposits and Investments

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

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

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

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

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

Original Issue Premium

Original issue premium from the Series 2018A Bonds are being amortized over the term of the Series 2018A Bonds using the interest method. Accumulated amortization of original issue premium amounted to \$11,331 at December 31, 2023.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. All property and equipment will be conveyed to the Town of Parker (“Town”) upon completion and final acceptance by the Town. Upon completion and final acceptance by the Town, the majority of capital assets, except for park and recreation and landscaping improvements, will be conveyed to the Town and Parker Water and Sanitation District.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2023.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year.

The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$592 of the General Fund balance has been restricted in compliance with this requirement.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The restricted fund balance in the Debt Service Fund in the amount of \$697,348 is restricted for the payment of the debt service costs associated with the Series 2018A Bonds (see Note 4).

Committed Fund Balance

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

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

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

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

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

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, a portion of which have been conveyed and/or will be conveyed to other governmental entities.

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

Note 2: Cash and Investments

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

Statement of net position:	
Cash and investments	\$ 98,166
Cash and investments -restricted	<u>771,820</u>
	\$ <u>869,986</u>

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

Deposits with financial institutions	\$ 5,088
Investments – COLOTRUST	<u>864,898</u>
	\$ <u>869,986</u>

Deposits

Custodial Credit Risk

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

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Investments

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investment Valuation

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

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2023, the District had \$864,898 invested in COLOTRUST Plus+.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets

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

	Balance <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2023</u>
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$1,396,684	\$ 14,060	\$ -	\$1,410,744
Landscape improvements	<u>1,233,898</u>	<u>-</u>	<u>-</u>	<u>1,233,898</u>
Total capital assets not being depreciated:	<u>2,630,582</u>	<u>14,060</u>	<u>-</u>	<u>2,644,642</u>
Government type assets, net	<u>\$2,630,582</u>	<u>\$ 14,060</u>	<u>\$ -</u>	<u>\$2,644,642</u>

Upon completion and final acceptance by the Town of Parker, the majority of capital assets, except for park and recreation and landscaping improvements, will be conveyed by the District to the Town and Parker Water and Sanitation District. Improvements that are conveyed are not depreciated.

Note 4: Long-term Debt

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

\$8,715,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2018A and \$2,285,000 Subordinate Limited Tax General Obligation Bonds, Series 2018B
On May 10, 2018, the District issued \$8,715,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds, Series 2018A (“Series 2018A Bonds”) and \$2,285,000 Subordinate Limited Tax General Obligation Bonds, Series 2018B (“Series 2018B Bonds”), for the purpose of paying a portion of the costs of refunding the Series 2004 Bonds, paying for public improvements and paying the cost of issuance of the Bonds, and, with respect to the Series 2018A Bonds only, funding a reserve fund and funding capitalized interest. The Series 2018A Bonds bear interest at the rates of 5.125% and 5.375%, payable semiannually on each June 1 and December 1, commencing on December 1, 2018. The Series 2018B Bonds bear interest at the rate of 7.750%, payable annually on December 15, commencing on December 15, 2018, to the extent that Subordinate Pledged Revenue is available. The Series 2018A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2022 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements
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The Series 2018A Bonds maturing on December 1, 2031 (the "Improvement Bonds") shall be subject to extraordinary mandatory redemption at the option of the District, in whole, within 45 days after such date at a redemption price equal to the principal amount of the Improvement Bonds, plus accrued interest to the redemption date (without any premium), and the Trustee shall transfer the amounts in the Construction Fund (as defined below) into the Senior Bond Fund (along with any amounts in the Capitalized Interest Account) and utilize such amounts to effect such mandatory extraordinary redemption of the Improvement Bonds.

The Series 2018A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, all facility fees, and any other legally available moneys as determined by the District. The Series 2018A Bonds are also secured by the Senior Reserve Fund. The Series 2018B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, the amount in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture, and any other legally available moneys as determined by the District.

The Series 2018B Bonds are "cash flow" bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the Series 2018B Bonds remain outstanding on December 15, 2057, such amounts shall be deemed discharged and shall no longer be due and outstanding.

Subsequent to year end the District refunded both the 2018 A Bonds and the 2018 B Bonds see Note 9 for further information.

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

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
<i>General Obligation Bonds</i>					
Series 2018A	\$ 8,660,000	\$ -	\$ 85,000	\$ 8,575,000	\$ 120,000
Series 2018B	2,285,000	-	-	2,285,000	-
Reoffering premium	33,862	-	2,028	31,834	-
Total	<u>10,978,862</u>	<u>-</u>	<u>87,028</u>	<u>10,891,834</u>	<u>120,000</u>
<i>Other</i>					
Operating Advances	42,256	-	-	42,256	-
Operating Advances - Interest	49,068	3,064	-	52,132	-
Capital Advances	584,783	-	-	584,783	-
Capital Advances - Interest	653,060	42,397	-	695,457	-
Total	<u>1,329,167</u>	<u>45,461</u>	<u>-</u>	<u>1,374,628</u>	<u>-</u>
	<u>\$ 12,308,029</u>	<u>\$ 45,461</u>	<u>\$ 87,028</u>	<u>\$ 12,266,462</u>	<u>\$ 120,000</u>

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Notes to Financial Statements
December 31, 2023

See Note 5 for additional information on the Operating Advances, and Capital Advances, along with the interest related to both.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2018A Bonds. Because of the uncertainty in the timing of the payment on the Series 2018B Bonds, no future maturity schedule is presented.

	Principal	Interest	Total
2024	\$ 120,000	\$ 457,506	\$ 577,506
2025	120,000	451,356	571,356
2026	145,000	445,206	590,206
2027	150,000	437,775	587,775
2028	180,000	430,088	610,088
2029-2033	1,140,000	1,995,075	3,135,075
2034-2038	1,715,000	1,635,881	3,350,881
2039-2043	2,505,000	1,097,306	3,602,306
2044-2048	2,500,000	298,313	2,798,313
	<u>\$ 8,575,000</u>	<u>\$ 7,248,506</u>	<u>\$ 15,823,506</u>

As of December 31, 2023, the District had remaining voted debt authorization of approximately \$40,725,000. The District has not budgeted to issue any additional debt in 2024. Per the District's Service Plan, the District cannot issue debt in excess of \$11,000,000.

Note 5: Agreements

The District has entered into various agreements with Neumann Homes of Colorado, L.L.C. (the "Developer") concerning reimbursement of Developer advances for payment of operations and maintenance expenses, and reimbursement of Developer advances for payment of capital expenditures, and acquisition of public infrastructure designed, constructed and installed by the Developer. During 2007 the Developer filed for bankruptcy protection resulting in the non-payment of the facility fees as well as property taxes. During 2008, the Developer's lender initiated foreclosure procedures with the Public Trustee to sell the property and taxes that have been subsequently received. The District attempted to negotiate a new funding agreement with the Developer's lender, without success.

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Notes to Financial Statements December 31, 2023

Funding Agreement

The District entered into a Funding Agreement (the “Funding Agreement”) with the Developer setting forth terms for the reimbursement of organizational, capital, operations, and maintenance costs advanced by the Developer to, or on behalf of the District. The maximum funding obligation of the Developer with respect to Advances and Funding Shortfall is \$7,887,000 unless otherwise approved by the Developer. As of December 31, 2023, the Developer had advanced \$627,039 for operations and capital expenditures. In addition, the District owes \$747,589 in interest at 7.25%.

Amounts due under the Funding Agreement and Shortfall Amounts can be reimbursed to the Developer from any future Bond proceeds and other legally available revenues if and when available. Developer Advances do not constitute a debt of the District within the meaning of any constitutional or statutory provision and are subordinate in all respects to all District bonds, including the bonds, or other multiple fiscal year debt and financial obligations of any nature.

Acquisition and Reimbursement Agreement for Infrastructure Improvements

The District and the Developer entered into an Acquisition and Reimbursement Agreement for Infrastructure Improvements (the “Acquisition Agreement”) setting forth streets, landscaping, storm drainage, water and sewer, safety protection, and other public improvements (the “Improvements”) which will be funded, constructed and completed by the Developer and acquired by the District or the Town to serve the Development. The Improvements will be constructed and funded by the District in accordance with the limitations set forth in the Service Plan. The costs of completion of the Improvements (the “Reimbursement Costs”) due under the Acquisition Agreement will, if feasible, be paid from Bond proceeds and other legally available revenues. Reimbursement Costs may include all costs incurred in connection with the organization of the District and construction costs and expenses incurred for planning, design, engineering, surveying, and legal services relating thereto together with interest thereon from the date of transfer of the Improvements to the District, the Water District or the Town at an annual rate as set forth in the Acquisition Agreement. Amounts due under the Acquisition Agreement may also be paid from other legally available revenues of the Districts on a basis subordinate to the repayment of the Bonds.

Public Improvement Agreement.

The District has entered into a Public Improvement Agreement with Pacific North Enterprises, LLC (“Pacific North”) effective as of August 18, 2017 as amended effective as of December 31, 2017 (the “Public Improvement Agreement”). Pursuant to the Public Improvement Agreement, Pacific North agreed to construct an enhanced community pool within the District and to include the Inclusion Parcel within the District. In accordance with the Public Improvement Agreement, the District agreed to reimburse Pacific North for the costs of constructing the enhanced pool out of the proceeds of the Bonds. The amount of such reimbursement is set forth in the Public

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Improvement Agreement and is generally based upon the amount of the proceeds of the Bonds available for public improvement projects. In addition, the District agreed to assign to Pacific North 100 Single Family Facility Fee Credits. Pacific North shall be entitled to use such credits directly or to convey such credits to other builders who may use the credits to offset District Facility Fees due in connection with the builder's projects within the District.

Facility Fees

On December 16, 2004, the District passed a resolution to establish facility fees. The fee was established at \$2,000 per detached single-family residence and \$1,000 per attached single-family residence. The fee is due prior to the issuance of a building permit.

On December 21, 2004, the District and the Developer entered into an agreement whereby the Developer, in the event that Facility Fees were not paid to the District in the amounts and by the dates set forth in the schedule included in the agreement was to pay any shortfall amount immediately upon receipt of notice from the District. As noted above, during 2007 the Developer filed for bankruptcy and did not remit the balance due per the above Facility Fee Agreement. The District had attempted to negotiate a facility fee agreement with the Developer's lender, a failed Texas bank, but had no success in that regard. During 2009, the District received \$92,000 from the Developer's lender under the Facility Fee Agreement.

During 2023, the District did not collect any Facility Fees from the current homebuilder in the District.

Note 6: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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.

Note 7: Risk Management

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

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

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

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

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable, accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

NEU TOWNE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities; and
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities.

Note 9: Subsequent Event

On March 21, 2024, the District issued \$12,115,000 of Limited Tax General Obligation Refunding Bonds, Series 2024 (“Series 2024 Bonds”). for the purpose of paying a portion of the costs of refunding the Series 2018A Bonds and the Series 2018B Bonds and paying the cost of issuance of the Series 2024 Bonds. The Series 2024 Bonds bear interest at the rates of 4.375% and 5.000%, payable semiannually on each June 1 and December 1, commencing on June 1, 2024.

SUPPLEMENTAL INFORMATION

NEU TOWNE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 564,125	\$ 564,126	\$ 1
Specific ownership taxes	39,489	52,314	12,825
Interest and other income	<u>4,000</u>	<u>39,497</u>	<u>35,497</u>
 Total Revenues	 <u>607,614</u>	 <u>655,937</u>	 <u>48,323</u>
 EXPENDITURES			
Treasurer's fees	8,462	8,466	(4)
Bond principal	85,000	85,000	-
Bond interest expense	461,863	461,863	-
Legal/Accounting/Audit	5,000	-	5,000
Paying agent fees	<u>6,000</u>	<u>6,000</u>	<u>-</u>
 Total Expenditures	 <u>566,325</u>	 <u>561,329</u>	 <u>4,996</u>
 CHANGE IN FUND BALANCE	 41,289	 94,608	 53,319
 FUND BALANCE - BEGINNING OF YEAR	 <u>589,768</u>	 <u>602,740</u>	 <u>12,972</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 631,057</u>	 <u>\$ 697,348</u>	 <u>\$ 66,291</u>

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

NEU TOWNE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Budget</u>		
REVENUES				
Interest and other income	\$ -	\$ 10,688	\$ 10,687	\$ (1)
Total Revenues	<u>-</u>	<u>10,688</u>	<u>10,687</u>	<u>(1)</u>
EXPENDITURES				
Capital improvements	<u>-</u>	<u>15,000</u>	<u>14,060</u>	<u>940</u>
Total Expenditures	<u>-</u>	<u>15,000</u>	<u>14,060</u>	<u>940</u>
CHANGE IN FUND BALANCE	-	(4,312)	(3,373)	939
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>4,500</u>	<u>2,951</u>	<u>(1,549)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 188</u>	<u>\$ (422)</u>	<u>\$ (610)</u>

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

Neu Towne Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED For the Year Ended December 31, 2023

<u>Year Ended December 31,</u>	<u>Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>	
		<u>Fund</u>	<u>Service</u>	<u>Levied</u>	<u>Collected</u>		
	2006	\$ 787,450	3.000	30.500	\$ 26,379	\$ 26,386	100.03%
	2007	\$ 1,810,160	3.000	35.000	\$ 68,786	\$ 31,856	46.31%
	2008	\$ 4,575,480	3.000	35.000	\$ 173,868	\$ 208,169	119.73%
	2009	\$ 4,371,030	3.000	35.000	\$ 166,099	\$ 149,043	89.73%
	2010	\$ 3,699,840	3.000	35.000	\$ 140,594	\$ 142,992	101.71%
	2011	\$ 3,681,510	3.000	35.000	\$ 139,897	\$ 156,026	111.53%
	2012	\$ 2,923,390	3.000	35.000	\$ 111,089	\$ 611,133	550.13%
	2013	\$ 3,188,800	3.000	35.000	\$ 121,174	\$ 111,392	91.93%
	2014	\$ 3,076,615	3.000	35.000	\$ 116,911	\$ 113,621	97.19%
	2015	\$ 3,728,230	3.000	35.000	\$ 141,673	\$ 144,970	102.33%
	2016	\$ 4,572,800	3.000	35.000	\$ 173,766	\$ 173,767	100.00%
	2017	\$ 4,808,420	3.000	35.000	\$ 182,720	\$ 182,720	100.00%
	2018	\$ 5,921,410	3.265	38.099	\$ 244,933	\$ 244,934	100.00%
	2019	\$ 7,220,090	3.265	38.099	\$ 298,652	\$ 298,627	99.99%
	2020	\$ 9,579,310	3.265	38.099	\$ 396,239	\$ 396,238	100.00%
	2021	\$ 11,004,390	3.265	38.099	\$ 455,185	\$ 455,210	100.01%
	2022	\$ 13,586,330	3.265	38.099	\$ 561,985	\$ 562,080	100.02%
	2023	\$ 14,397,200	3.265	39.183	\$ 611,132	\$ 611,133	100.00%
	Estimated for year ending December 31, 2024	\$ 18,335,880	2.617	44.021	\$ 855,149		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.