

**TOWER METROPOLITAN DISTRICT  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**

**TOWER METROPOLITAN DISTRICT  
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**Independent Auditors' Report**

Board of Directors  
Tower Metropolitan District  
Adams County, Colorado

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tower 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 the 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, 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.

## **Required Supplementary 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 listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 the annual report. The other information 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 we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Simmons & Wheeler P.C.*

Englewood, CO  
September 19, 2024

## **BASIC FINANCIAL STATEMENTS**

**TOWER METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 1,295,394
Cash and Investments - Restricted	1,257,241
Cash in Escrow	187,246
Receivable - County Treasurer	31,325
Property Tax Receivable	6,575,768
Prepaid Expenditure	5,776
Capital Assets, Not Being Depreciated	7,655,217
Capital Assets, Net of Accumulated Depreciation	18,015,459
Total Assets	35,023,426
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Bond Refunding	48,212
Total Deferred Outflows of Resources	48,212
<b>LIABILITIES</b>	
Accounts Payable and Retainage Payable	1,708,574
Accrued Interest Payable	55,012
Noncurrent Liabilities:	
Due Within One Year	17,770,000
Total Liabilities	19,533,586
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	6,575,768
Total Deferred Inflows of Resources	6,575,768
<b>NET POSITION</b>	
Net Investments in Capital Assets	16,945,673
Restricted for:	
Emergency Reserves	105,000
Restricted For:	
Capital Project Escrow	187,246
Drainage	1,131,320
Unrestricted	(9,406,955)
Total Net Position	\$ 8,962,284

See accompanying Notes to Basic Financial Statements.



**TOWER METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,295,394	\$ -	\$ -	\$ 1,295,394
Cash and Investments - Restricted	105,000	20,921	1,131,320	1,257,241
Cash in Escrow	-	-	187,246	187,246
Receivable - County Treasurer	29,664	1,661	-	31,325
Prepaid Expenditure	5,776	-	-	5,776
Property Tax Receivable	5,077,808	1,497,960	-	6,575,768
Total Assets	\$ 6,513,642	\$ 1,520,542	\$ 1,318,566	\$ 9,352,750
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 58,772	\$ -	\$ 983,344	\$ 1,042,116
Due to ARI	216,506	-	-	216,506
Retainage Payable	-	-	449,952	449,952
Total Liabilities	275,278	-	1,433,296	1,708,574
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Tax Revenue	5,077,808	1,497,960	-	6,575,768
Total Deferred Inflows of Resources	5,077,808	1,497,960	-	6,575,768
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Insurance	5,776	-	-	5,776
Restricted for:				
Emergency Reserve	105,000	-	-	105,000
Debt Service	-	22,582	-	22,582
Restricted For:				
Capital Projects Escrow	-	-	187,246	187,246
Drainage	-	-	1,131,320	1,131,320
Assigned to:				
Subsequent Year's Expenditures	129,063	-	-	129,063
Unassigned	920,717	-	(1,433,296)	(512,579)
Total Fund Balances	1,160,556	22,582	(114,730)	1,068,408
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,513,642	\$ 1,520,542	\$ 1,318,566	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	25,670,676
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the fund financial statements.	
Cost of Bond Refunding	48,212
Long-term liabilities are not due and payable in the current period and, therefore, are not reflected in the fund financial statements.	
Loans Payable	(17,770,000)
Accrued Interest on Loans Payable	(55,012)
Net Position of Governmental Activities	\$ 8,962,284

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
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	\$ 3,078,134	\$ 1,102,449	\$ -	\$ 4,180,583
Property Taxes - ARI	219,809	-	-	219,809
Specific Ownership Tax	297,735	-	-	297,735
Net Investment Income	110,774	18,878	35,655	165,307
Other Revenue	69	-	-	69
Intergovernmental Revenue	-	-	245,000	245,000
Reimbursement from Aurora	-	384,000	-	384,000
Total Revenues	<u>3,706,521</u>	<u>1,505,327</u>	<u>280,655</u>	<u>5,492,503</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	91,392	-	-	91,392
ARI Reimbursement	216,506	-	-	216,506
Audit	5,600	-	-	5,600
County Treasurer's Fee	46,203	16,555	-	62,758
County Treasurer's Fee - ARI	3,303	-	-	3,303
Directors' Fees	4,600	-	-	4,600
Donations	400	-	-	400
Dues and Licenses	972	-	-	972
Election Expense	1,593	-	-	1,593
Insurance and Bonds	4,959	-	-	4,959
Landscape Maintenance	302,248	-	-	302,248
Legal	55,527	-	-	55,527
Maintenance and Repairs	7,603	-	-	7,603
Meeting Expenses	909	-	-	909
Miscellaneous	12,494	-	-	12,494
Payroll Expense	1,487	-	-	1,487
Property Management	39,719	-	-	39,719
Security	57,990	-	-	57,990
Snow Removal	1,623	-	-	1,623
Utilities - Irrigation System	67,082	-	-	67,082
Debt Service:				
Bond Principal Payments - Series 2014A	-	240,000	-	240,000
Bond Principal Payments - Series 2014B	-	85,000	-	85,000
Bond Principal Payments - Series 2020A	-	584,000	-	584,000
Interest Expense - Series 2014A	-	211,088	-	211,088
Interest Expense - Series 2014B	-	65,133	-	65,133
Interest Expense - Series 2020A	-	280,580	-	280,580
Legal	-	16,263	-	16,263
Non-Use Fee	-	33,850	-	33,850
Paying Agent/Remarketing Fees	-	3,000	-	3,000
Capital Improvements	-	-	8,503,169	8,503,169
Total Expenditures	<u>922,210</u>	<u>1,535,469</u>	<u>8,503,169</u>	<u>10,960,848</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,784,311	(30,142)	(8,222,514)	(5,468,345)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	-	-	3,500,000	3,500,000
Transfer (to) from Other Funds	(4,205,538)	19,263	4,186,275	-
Total Other Financing Sources (Uses)	<u>(4,205,538)</u>	<u>19,263</u>	<u>7,686,275</u>	<u>3,500,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,421,227)	(10,879)	(536,239)	(1,968,345)
Fund Balances - Beginning of Year	<u>2,581,783</u>	<u>33,461</u>	<u>421,509</u>	<u>3,036,753</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,160,556</u>	<u>\$ 22,582</u>	<u>\$ (114,730)</u>	<u>\$ 1,068,408</u>

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
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 Changes in Fund Balances - Total Governmental Funds \$ (1,968,345)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. This is the amount related to capital outlay in the current period.

Capital Outlay	6,940,550
Depreciation Expense	(419,540)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Current Year Loan Principal Payment	909,000
Amortization of Cost of Refunding - 2005 Bonds	(50,468)
Loan Proceeds	(3,500,000)

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 Loans - Change in Liability	(16,999)
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Change in Net Position of Governmental Activities	\$ 1,894,198
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**TOWER METROPOLITAN DISTRICT  
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	\$ 3,069,990	\$ 3,078,134	\$ 8,144
Property Taxes - ARI	219,473	219,809	336
Specific Ownership Taxes	307,262	297,735	(9,527)
Other Income	3,000	69	(2,931)
Investment Income	85,000	110,774	25,774
Total Revenues	<u>3,684,725</u>	<u>3,706,521</u>	<u>21,796</u>
<b>EXPENDITURES</b>			
Accounting	107,000	91,392	15,608
ARI Reimbursement	216,181	216,506	(325)
Audit	6,000	5,600	400
Contingency	17,177	-	17,177
County Treasurer's Fee	46,050	46,203	(153)
County Treasurer's Fee - ARI	3,292	3,303	(11)
Directors' Fees	10,000	4,600	5,400
Donations	600	400	200
Dues and Licenses	1,100	972	128
Election Expense	-	1,593	(1,593)
Insurance and Bonds	12,000	4,959	7,041
Landscape Maintenance	255,000	302,248	(47,248)
Legal	72,000	55,527	16,473
Maintenance and Repairs	16,500	7,603	8,897
Meeting Expenses	4,000	909	3,091
Miscellaneous	5,000	12,494	(7,494)
Payroll Expense	3,000	1,487	1,513
Property Management	45,000	39,719	5,281
Security	147,000	57,990	89,010
Snow Removal	11,000	1,623	9,377
Utilities - Irrigation System	100,000	67,082	32,918
Total Expenditures	<u>1,077,900</u>	<u>922,210</u>	<u>155,690</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,606,825	2,784,311	177,486
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Other Funds	(4,202,538)	(4,205,538)	(3,000)
Total Other Financing Sources (Uses)	<u>(4,202,538)</u>	<u>(4,205,538)</u>	<u>(3,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,595,713)	(1,421,227)	174,486
Fund Balance - Beginning of Year	<u>2,595,713</u>	<u>2,581,783</u>	<u>(13,930)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,000,000</u>	<u>\$ 1,160,556</u>	<u>\$ 160,556</u>

See accompanying Notes to Basic Financial Statements.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Tower Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court of Adams County on March 5, 1980 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 the City of Aurora, Adams County, Colorado (the City). The District was established for the purpose of constructing streets, curbs, gutters, and related facilities on the property within the District's boundaries. Construction has been financed through the issuance of general obligation bonds. Title to improvements constructed by the District is generally conveyed to the City of Aurora within 13 months of completion. When all improvements are completed, the District will continue primarily for the purpose of retiring its outstanding indebtedness and providing streetscape maintenance, covenant control, and security maintenance.

Effective October 7, 2019, the City approved the Tower Metropolitan District service plan dated July 1, 2019. The service plan allows the District to operate and maintain certain public improvements, including, but not limited to internal streets, common driveways and land, and streetscape associated with those improvements. The District has the ability to increase its mill levy as necessary for provisions of operations and maintenance services to its taxpayers and service users.

The service plan limits the District's total debt to \$50,000,000, with a 40-year repayment term. If the District's debt to assessed valuation ratio exceeds 50%, than a debt service mill levy limitation applies. If all \$50,000,000 was issued as of year-end, the District's debt to assessed valuation ratio would be less than 50%.

The service plan obligates the District to impose an ARI mill levy to contribute to the funding of Aurora Regional Improvements beginning the first year of the imposition of a debt service mill levy. The ARI mill levy will be imposed as follows:

Year 1 – 20	1.0 Mills
Year 21 Through Repayment of Debt Incurred for Public Improvements	1.5 Mills

For five years thereafter, the lesser of 20 mills or a mill levy equal to the average debt service mill levy imposed by the District in the 10 years prior to the date of repayment of the debt issued for Public Improvements.

The District issued debt for public improvements in 2020. The District did not certify an ARI mill levy for the collection budget year 2021 as certification of an ARI mill levy was not applicable to 2021 collection related to service plan adoption. The District certified an ARI mill levy for collection budget year 2023 of 1.000 mills.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)**

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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the City.

The District has one employee, and all operations and administrative functions are contracted except for covenant enforcement.

**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.

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

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. 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 is 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 other funds.

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 or construction of major capital facilities.

**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.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**Pooled Cash and Investments**

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

**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 a 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.

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of the net investment in capital assets.

Land improvements include expenditures for clearing the land, landscaping, changing the contour of the earth by moving and filling, detention ponds, and planting trees and shrubbery. Those costs are considered permanent improvements to the land and are not depreciable.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**Capital Assets (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset 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. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Lighting	15 Years
Irrigation	15 Years
Box Culvert	15 Years
Signs	25 Years
Waterline	40 Years
Streets	40 Years
Fire Line	40 Years
Median Landscaping – Construction	20 Years

**Amortization**

**Cost of Bond Refunding**

In the government-wide financial statements the deferred cost of bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

**Deferred Inflow/Outflow of Resources**

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of bond refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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.

**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.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**Equity (Continued)**

**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.

**Deficits**

The Capital Projects Fund reported a deficit in the fund balance as of December 31, 2023. The District will utilize a combination of General Fund transfers and loan proceeds to obtain a positive fund balance in the Capital Projects Fund.

**TOWER METROPOLITAN DISTRICT  
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	\$ 1,295,394
Cash in Escrow	187,246
Cash and Investments - Restricted	1,257,241
Total Cash and Investments	\$ 2,739,881

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

Deposits with Financial Institutions	\$ 1,187,322
Investments	1,552,559
Total Cash and Investments	\$ 2,739,881

**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 fair 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 a carrying balance as follows:

	Carrying Balance
Insured Deposits	\$ 275,921
Deposits Collateralized in Single Institution Pools	911,401
Total	\$ 1,187,322

**Investments**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements for investments that are in the possession of another party.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**Investments (Continued)**

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

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

- \* Obligations of the United States, 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 and 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:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 202,200
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	1,350,359
Total		<u>\$ 1,552,559</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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

**CSAFE (Continued)**

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 4 CAPITAL ASSETS**

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

	Balance - December 31, 2022	Increases	Decreases	Balance - December 31, 2023
Capital Assets, Not Being Depreciated:				
Detention Pond	\$ 1,270,587	\$ 1,104,304	\$ -	\$ 2,374,891
Irondale Gulch Ponds	2,603,369	-	-	2,603,369
Median Landscaping	774,404	-	-	774,404
ROW Landscaping	16,577	-	-	16,577
Monument Landscaping	23,543	-	-	23,543
Drainage Improvements	517,024	-	-	517,024
Construction in Process	2,227,529	421,106	1,303,226	1,345,409
Total Capital Assets, Not Being Depreciated	7,433,033	1,525,410	1,303,226	7,655,217
Capital Assets, Being Depreciated:				
Fire Line	354,431	-	-	354,431
Lighting	49,898	-	-	49,898
Signs	245,400	-	-	245,400
Irrigation System	208,274	-	-	208,274
Median Landscaping - Concrete	292,859	-	-	292,859
Pump House	282,898	6,718,366	-	7,001,264
Waterline	491,701	-	-	491,701
Streets	9,462,597	-	-	9,462,597
Box Culvert	1,569,099	-	-	1,569,099
Total Capital Assets, Being Depreciated	12,957,157	6,718,366	-	19,675,523
Less Accumulated Depreciation For:				
Fire Line	(33,974)	(8,861)	-	(42,835)
Lighting	(12,211)	(3,140)	-	(15,351)
Signs	(115,632)	(9,816)	-	(125,448)
Irrigation System	(121,360)	(1,791)	-	(123,151)
Median Landscaping - Concrete	(124,465)	(26,408)	-	(150,873)
Pump House	(37,720)	(16,060)	-	(53,780)
Waterline	(104,488)	(12,292)	-	(116,780)
Streets	(376,852)	(236,565)	-	(613,417)
Box Culvert	(313,822)	(104,607)	-	(418,429)
Total Accumulated Depreciation	(1,240,524)	(419,540)	-	(1,660,064)
Total Capital Assets, Being Depreciated, Net	11,716,633	6,298,826	-	18,015,459
Capital Assets, Net	<u>\$ 19,149,666</u>	<u>\$ 7,824,236</u>	<u>\$ 1,303,226</u>	<u>\$ 25,670,676</u>

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation Expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General Government	\$ 419,540
Total Depreciation Expense - Governmental Activities	<u>\$ 419,540</u>

**NOTE 5 LONG-TERM OBLIGATIONS**

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

	Balance - December 31, 2022	Additions	Retirements/ Adjustments	Balance - December 31, 2023	Due Within One Year
Governmental Activities:					
Notes from Direct Borrowings and Direct Placements:					
Tax-Free Loan Refunding Issue Series 2014A	\$ 8,395,000	\$ -	\$ 240,000	\$ 8,155,000	\$ 8,155,000
Taxable Loan Refunding Issue Series 2014B	2,830,000	-	85,000	2,745,000	2,745,000
Tax-Free Loan Issue Series 2020	3,954,000	3,500,000	584,000	6,870,000	6,870,000
Total	<u>\$ 15,179,000</u>	<u>\$ 3,500,000</u>	<u>\$ 909,000</u>	<u>\$ 17,770,000</u>	<u>\$ 17,770,000</u>

In the government-wide statements, the District incurred a cost on bond refunding in the amount of \$567,865, which has been deferred and is being amortized over the life of the 2014 loan.

**General Obligation Tax Exempt Refunding Loans (the 2014 Loans)**

On December 30, 2014, the District issued \$9,995,000 in a General Obligation Tax-Exempt Refunding Loan (2014A Loan) and \$3,370,000 in a General Obligation Taxable Refunding Loan (2014B Loan), (collectively, the 2014 Loans). The 2014B Loan was converted to a tax-exempt loan on January 15, 2015.

The 2014 Loans are term loans due on December 30, 2024, with a fixed interest rate of 2.48% for the 2014A Loan and an initial interest rate of 3.380% for the 2014B Loan. On January 15, 2015, the interest rate on the 2014B Loan was converted to a fixed rate of 2.27%. Interest is paid semiannually on June 1 and December 1. The 2014 Loans are subject to mandatory sinking redemptions due on December 1 of each year. The 2014 Loans both have a balloon payment of the remaining outstanding principal due on December 30, 2024. The District may, at its option, prepay all or any part of the principal of the Loans on a principal payment date, upon payment of par, accrued interest and a prepayment fee for any prepayments made prior to December 1, 2024.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Tax Exempt Refunding Loans (the 2014 Loans) (Continued)**

The occurrence of any one or more of the following events, or those listed in the Loan Agreement, shall constitute an event of default: (i) the District fails or refuses to impose the required mill levy or apply pledged revenue as required by the loan agreement; (ii) the District fails to pay the principal of or interest on the 2014 Loans when due; (iii) the District fails to observe or perform any of the covenants, agreements or conditions in the Loan Agreement or other Financing Documents. In the event of default the Bank may exercise any and all remedies available under the Custodial Agreement; provided however, acceleration shall not be a remedy for an event of default.

**General Obligation Loan 2020 (the 2020 Loan)**

The District entered into a Loan Agreement with U.S. Bank National Association (the Bank) on August 19, 2020, in the aggregate original principal amount of not to exceed \$20,000,000 (the 2020 Loan Agreement). The Initial Advance on the 2020 Loan was extended to the District on the Closing Date of the 2020 Loan in the amount of \$227,000.

The proceeds of the Initial Advance of the 2020 Loan were used to pay the costs of issuing the 2020 Loan. Any remaining amounts of the Initial Advance will be transferred to the Project Fund to finance and reimburse costs of public improvements.

The District had an unused line of credit in the amount of \$13,130,000 as of December 31, 2023, with the Bank related to the 2020 Loan.

On February 1, 2023 the District amended the Loan Agreement to replace the One-Month LIBOR Rate with the Daily Simple SOFR Rate. Each Advance on the 2020 Loan bears interest at an annual rate equal to 1.185%, plus the greater of (i) 0%, and (ii) 85% of the Daily Simple SOFR Rate, payable semi-annually to the extent of Pledged Revenue available on June 1 and December 1, beginning on December 1, 2020. Annual payments of principal are due on December 1, commencing on December 1, 2020. The 2020 Loan matures on December 30, 2024. Interest is calculated on the basis of a 360-day year and actual number of days elapsed. Interest not paid when due shall compound on each Interest Payment Date at the rate of interest then borne by the 2020 Loan.

Principal on the 2020 Loan is due and payable on the Maturity Date. If the District receives a payment from the City pursuant to an Assignment Agreement it shall pay such amount to the Bank as a mandatory prepayment of the 2020 Loan. No fee will be due to the Bank in connection with such mandatory prepayment.

The District may at its option, prepay the 2020 Loan in whole or in part on any date prior to the Maturity Date, in an amount equal to the principal to be prepaid, plus all accrued and unpaid interest thereon, without any prepayment fee or penalty.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**General Obligation Loan 2020 (the 2020 Loan) (Continued)**

A Non-Use Fee is due to the Bank semi-annually in arrears, payable by the District on each Interest Payment Date, commencing on December 1, 2020, in a per annum amount equal to 0.35% of the Unfunded Portion actually in effect from time-to-time during the applicable semi-annual period. The Non-Use Fee is calculated on the basis of a 360-day year and actual number of days elapsed.

The 2020 Loan and the 2014 Loan are payable from Pledged Revenue on an equal and parity basis. Pledged Revenue consists of (a) the revenue derived by the District (less costs of collection) from the imposition of the Required Mill Levy; and (b) all amounts held in the funds and accounts held by the Custodian to secure the 2020 Loan.

The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay principal and interest due on the 2020 Loan and the Parity Obligations.

Because the total aggregate principal amount of the 2014 Loan and the 2020 Loan is less than 50% of the District's current assessed valuation, in accordance with the Service Plan, the 50 mill cap does not apply and the maximum debt mill levy imposed by the District may be unlimited and imposed at such amount as is necessary to pay debt service on the Loans.

Events of default occur if the District does not impose the Required Mill levy, make payments of principal and interest when due, and other customary terms and conditions consistent with normal municipal financings.

The outstanding loan principal and interest are as follows:

2014A Loan:

<u>Year Ending December 31,</u>	Governmental Activities		<u>Total</u>
	Notes from Direct Borrowings and Direct Placements		
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 8,155,000	\$ 218,027	\$ 8,373,027
Total	\$ 8,155,000	\$ 218,027	\$ 8,373,027

2014B Loan:

<u>Year Ending December 31,</u>	Governmental Activities		<u>Total</u>
	Notes from Direct Borrowings and Direct Placements		
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 2,745,000	\$ 67,167	\$ 2,812,167
Total	\$ 2,745,000	\$ 67,167	\$ 2,812,167

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

2020A Loan:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Notes from Direct Borrowings and Direct Placements</u>		
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 20,000,000	\$ 400,000	\$ 20,400,000
Total	<u>\$ 20,000,000</u>	<u>\$ 400,000</u>	<u>\$ 20,400,000</u>

*\* Interest payments due on June 1 and December 1 are uncertain at this time due to the timing of the draws. Principal subject to change based on draws and payments occurring in 2024.*

At December 31, 2023, the District had authorized but unissued general obligation indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 7, 2000 Election</u>	<u>Authorized November 6, 2018 Election</u>	<u>Total Authorized Debt</u>
Street Improvements	\$ 20,000,000	\$ -	\$ 20,000,000
Traffic Controls	20,000,000	-	20,000,000
Parks and Recreation	20,000,000	-	20,000,000
Public Transportation	20,000,000	-	20,000,000
Mosquito Control	200,000	-	200,000
Water	-	50,000,000	50,000,000
Sanitary Sewer	-	50,000,000	50,000,000
Security	-	10,000,000	10,000,000
Business Recruitment	-	10,000,000	10,000,000
Directional Drilling	-	20,000,000	20,000,000
Operations and Maintenance	-	50,000,000	50,000,000
Debt Refunding	81,000,000	200,000,000	281,000,000
Total	<u>\$ 161,200,000</u>	<u>\$ 390,000,000</u>	<u>\$ 551,200,000</u>

	<u>Authorization Used</u>				<u>Remaining at December 31, 2023</u>
	<u>Series 2001 Bonds</u>	<u>Series 2005 Bonds</u>	<u>2014 Loans</u>	<u>2020 Loans</u>	
Street Improvements	\$ 2,855,135	\$ 2,363,621	\$ -	\$ 13,250,000	\$ 1,531,244
Traffic Controls	-	-	-	-	20,000,000
Parks and Recreation	-	-	-	-	20,000,000
Public Transportation	-	-	-	-	20,000,000
Mosquito Control	-	-	-	-	200,000
Water	-	-	-	-	50,000,000
Sanitary Sewer	-	-	-	-	50,000,000
Security	-	-	-	-	10,000,000
Business Recruitment	-	-	-	-	10,000,000
Directional Drilling	-	-	-	-	20,000,000
Operations and Maintenance	-	-	-	-	50,000,000
Debt Refunding	10,034,865	12,326,379	13,365,000	-	245,273,756
Total	<u>\$ 12,890,000</u>	<u>\$ 14,690,000</u>	<u>\$ 13,365,000</u>	<u>\$ 13,250,000</u>	<u>\$ 497,005,000</u>

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 6 NET POSITION**

The District has net position consisting of three components: net investment in capital assets, restricted, and unrestricted.

The net investment in capital assets component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. The amount of capital assets which are anticipated to be conveyed to other governmental entities are not included in the capital assets, net, amount below.

As of December 31, 2023, the District had net investment in capital assets, calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 25,670,676
Less: Capital Related Debt	
Current Portion of Long-Term Obligations	(8,725,003)
Net Investment in Capital Assets	\$ 16,945,673

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:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 105,000
Capital Projects Escrow	187,246
Drainage	1,131,320
Total Restricted Net Position	\$ 1,423,566

The District has a deficit unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 7 RELATED PARTY TRANSACTIONS**

The developer and owner of the majority of land located within the District is Majestic Realty Co. (Developer). The contractor for construction of certain infrastructure facilities of the District is Commerce Construction Co. LP (Contractor). The Developer and Contractor are related entities. Certain members of the Board of Directors of the District are employees of, owners of, or associated with the Developer and/or Contractor and may have conflicts of interest in dealing with the District. Also, the only employee of the District is related to the President of the Board.

The District entered into a Construction Management Agreement (Agreement) with the Contractor to act as the Construction Manager of the District. The Construction Manager will provide construction management and supervision services for the construction and acquisition of certain District facilities. The compensation shall be 4% of the gross dollar amount paid pursuant to construction contracts and related engineering and/or design contracts entered into by the District. The Agreement will terminate upon completion and close out of the project. During 2023, the Contractor was paid \$612,511 for construction management services related to the project.

**NOTE 8 INTERFUND AND OPERATING TRANSFERS**

The District transferred \$4,186,275 from the General Fund to the Capital Projects Fund to fund capital projects and \$19,263 from the General Fund to the Debt Service Fund to fund debt service in 2023.

**NOTE 9 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (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.

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.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 10 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.

In November 1994 and November 1998, voters within the District approved election questions related to the issuance of additional indebtedness, elimination of TABOR fiscal year limitations, exemption from state revenue limitations, and the elimination of Director term limits.

On November 6, 2018, a majority of the District's electors approved questions related to the issuance of additional indebtedness and a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR in 2018 and every year thereafter. On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain all of the revenue of the District without regard to the revenue and spending limitations of TABOR.

The District believes it has taken such steps as are appropriate in light of current interpretations of TABOR to comply with its terms. However, TABOR is complex and subject to multiple interpretations. Many of the provisions, including but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

**TOWER METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of December 31, 2023, the District had construction related contract commitments as follows:

	<u>Retainage</u>	<u>Contract Balance</u>
ADK Electric Corp - Phase 11 Pump House	\$ 8,807	\$ 6,300
ADK Electric Corp - Retail	2,125	32,574
Colorado Concrete Construction LLC	8,307	24,302
Greenways - Picadilly Bridge	-	365,498
Lawrence Construction Company - First Creek	1,036	4,652,591
Lawrence Construction Company - Picadilly Bridge	3,415	5,349,522
Lawrence Construction Company - Picadilly Roadway	2,595	3,696,989
Levi Contractors, Inc. - Phase 11	244,849	792,824
Levi Contractors, Inc. - Retail	56,267	555,470
Lightning Ventures, Inc - Tower Crossing Retail	88,745	4,217
Lightning Ventures, Inc - Phase 11	11,622	-
Martin Marietta - Phase 11	20,642	3,457
Martin Marietta	1	-
Mtech Mechanical	750	-
Nelson Pipeline	791	-
Total	<u>\$ 449,952</u>	<u>\$ 15,483,744</u>

**SUPPLEMENTARY INFORMATION**

**TOWER METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE 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	\$ 1,099,999	\$ 1,102,449	\$ 2,450
Investment Income	4,000	18,878	14,878
Reimbursement from Aurora	3,840,000	384,000	(3,456,000)
Total Revenues	<u>4,943,999</u>	<u>1,505,327</u>	<u>(3,438,672)</u>
<b>EXPENDITURES</b>			
Loan Principal Payments - Series 2014A	240,000	240,000	-
Loan Principal Payments - Series 2014B	85,000	85,000	-
Loan Principal Payments - Series 2020	3,840,000	584,000	3,256,000
County Treasurer's Fee	16,500	16,555	(55)
Interest Expense - Series 2014A	211,088	211,088	-
Interest Expense - Series 2014B	65,134	65,133	1
Interest Expense - Series 2020A	442,878	280,580	162,298
Non-Use Fee	30,000	33,850	(3,850)
Paying Agent/Remarketing Fees	3,000	3,000	-
Legal	-	16,263	(16,263)
Contingency	10,399	-	10,399
Total Expenditures	<u>4,943,999</u>	<u>1,535,469</u>	<u>3,408,530</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	(30,142)	(30,142)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer (to) from Other Funds	-	19,263	19,263
Total Other Financing Sources (Uses)	<u>-</u>	<u>19,263</u>	<u>19,263</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(10,879)	(10,879)
Fund Balance - Beginning of Year	-	33,461	33,461
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 22,582</u>	<u>\$ 22,582</u>

**TOWER METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE 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>			
Interest Income	\$ 20,000	\$ 35,655	\$ 15,655
Intergovernmental Income	245,000	245,000	-
Total Revenues	<u>265,000</u>	<u>280,655</u>	<u>15,655</u>
<b>EXPENDITURES</b>			
38th Ave Extension	-	128,048	(128,048)
Capital Outlay	-	1,500	(1,500)
FDP & MDR Update	-	57,527	(57,527)
Fire Access Paving	175,000	-	175,000
First Creek Improvements	-	98,266	(98,266)
Himalaya Extension	1,500,000	69,057	1,430,943
MCC Earthwork Analysis	-	62,771	(62,771)
MSI - Building H	250,000	-	250,000
Phase 11 Offsite Improvements	2,500,000	6,519,445	(4,019,445)
Picadilly Bridge	4,700,000	96,964	4,603,036
Picadilly Roadway	-	5,438	(5,438)
Retail	1,000,000	1,463,769	(463,769)
Signs	-	384	(384)
Total Expenditures	<u>10,125,000</u>	<u>8,503,169</u>	<u>1,621,831</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(9,860,000)	(8,222,514)	1,637,486
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan Proceeds	3,321,000	3,500,000	179,000
Transfers from Other Funds	4,202,538	4,186,275	(16,263)
Total Other Financing Sources (Uses)	<u>7,523,538</u>	<u>7,686,275</u>	<u>162,737</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,336,462)	(536,239)	1,800,223
Fund Balance - Beginning of Year	<u>2,336,462</u>	<u>421,509</u>	<u>(1,914,953)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (114,730)</u>	<u>\$ (114,730)</u>

## **OTHER INFORMATION**

**TOWER METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2023**

Bond/Principal and Interest Maturing in the Year Ending December 31,	\$9,995,000 Promissory Note Series 2014A (Tax-Exempt) Dated December 30, 2014 Interest Rate - 2.480% Interest Payable June 1 and December 1 Principal Due December 1			\$3,370,000 Promissory Note Series 2014B (Taxable) Dated December 30, 2014 Interest Rate - 3.380%*** Interest Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest	Total	Principal	Interest	Total
	2024	\$ 8,155,000	\$ 218,027	\$ 8,373,027	\$ 2,745,000	\$ 67,167
Total	\$ 8,155,000	\$ 218,027	\$ 8,373,027	\$ 2,745,000	\$ 67,167	\$ 2,812,167

\*\*\*The interest rate was converted to a tax-exempt rate of 2.27% on January 15, 2015

Bond/Principal and Interest Maturing in the Year Ending December 31,	\$20,000,000 General Obligation Loan Series 2020 (Tax-Exempt) Dated August 19, 2020 Interest Rate of 1.185% Plus the Greater of (i) 0% or (ii) 85% of the Daily Simple SOFR Rate Interest Payable June 1 and December 1 Balloon Payment Due December 30, 2024			Total General Obligation Debt
	Principal	Interest	Total	
	2024	\$ 20,000,000	\$ 400,000	
Total	\$ 20,000,000	\$ 400,000	\$ 20,400,000	\$ 31,585,194

\* Interest payments due on June 1 and December 1 are uncertain at this time due to the timing of the draws.

**TOWER METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2023**

Year Ended December 31,	Prior Year Assessed for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General Fund	Debt Service	Levied	Collected	
		2019	\$ 115,456,230	15.049	4.951	
2020	150,736,000	16.017	3.983	3,014,720	2,803,721	93.00 (B)
2021	159,782,430	14.963	5.037	3,195,649	3,165,993	99.07 (C)
2022	183,503,060	14.988	5.012	3,670,061	3,604,448	98.21 (D)
2023	219,473,110	14.988	5.012	4,389,462	4,400,392	100.25

Estimated for  
the Year Ending  
December 31,  
2024

\$ 328,788,430	15.444	4.556	\$ 6,575,768
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**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

- (A) \$33,418 of ad valorem taxes were refunded/abated to property owners in 2019.
- (B) \$201,430 of ad valorem taxes were refunded/abated to property owners in 2020.
- (C) \$33,229 of ad valorem taxes were refunded/abated to property owners in 2021.
- (D) \$28,660 of ad valorem taxes were refunded/abated to property owners in 2022.