

THE LAKES METROPOLITAN DISTRICT NO. 4

FINANCIAL STATEMENTS
December 31, 2023

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	i
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements</i>	
Statement of Net position	1
Statement of Activities	2
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund	5
Notes to Financial Statements	6
OTHER SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Projects Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	18

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lakes Metropolitan District No. 4

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of The Lakes Metropolitan District No. 4 as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise The Lakes Metropolitan District No. 4's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of The Lakes Metropolitan District No. 4 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Lakes Metropolitan District No. 4 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Lakes Metropolitan District No. 4'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

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In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of 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 Lakes Metropolitan District No. 4'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 Lakes Metropolitan District No. 4'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 of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Lakes Metropolitan District No. 4's financial statements as a whole. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund, and the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Projects Fund, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Fort Collins, Colorado
July 10, 2024

Basic Financial Statements

The Lakes Metropolitan District No. 4
Statement of Net Position
December 31, 2023

Assets	Governmental Activities
Current Assets	
Cash and cash equivalents - unrestricted	\$ 1,998
Cash and cash equivalents - restricted	3,734,564
Due from county treasurer	27
Property taxes receivable	3,024
Total Current Assets	3,739,613
Noncurrent Assets	
Capital assets	
Nondepreciable	17,218,243
Net Capital Assets	17,218,243
Total Assets	20,957,856
 Liabilities	
Current Liabilities	
Accounts payable	351,874
Retainage payable	669,254
Due to District No. 1	1,076
Accrued interest	2,285,221
Total Current Liabilities	3,307,425
Long-Term Liabilities	20,080,000
Total Long-Term Liabilities	20,080,000
Total Liabilities	23,387,425
 Deferred Inflows of Resources	
Deferred property tax revenue	3,024
Total Deferred Inflows of Resources	3,024
 Net Position	
Restricted for debt service and capital	2,713,384
Unrestricted	(5,145,977)
Total Net Position	\$ (2,432,593)

The accompanying notes are an integral part of these financial statements

**The Lakes Metropolitan District No. 4
Statement of Activities
For the Year Ended December 31, 2023**

Governmental Activities	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
General government	\$ 90,014	\$ -	\$ -	\$ (90,014)
Interest and related costs on long-term debt	1,161,390	-	-	(1,161,390)
Total Governmental Activities	\$ 1,251,404	\$ -	\$ -	\$ (1,251,404)
General Revenues				
Property taxes				4,867
Specific ownership taxes				336
Facility fees				120,000
Interest income				525,214
Total Revenues				650,417
Change in Net Position				(600,987)
Net Position - Beginning of Year				(1,831,606)
Net Position - End of Year				\$ (2,432,593)

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**The Lakes Metropolitan District No. 4
Balance Sheet
Governmental Funds
December 31, 2023**

	Major Funds		Non Major Fund	Total Governmental Funds
	General	Capital Projects	Debt Service	
Assets				
Current Assets				
Cash and cash equivalents - unrestricted	\$ 1,998	\$ -	\$ -	\$ 1,998
Cash and cash equivalents - restricted	-	3,734,564	-	3,734,564
Due from county treasurer	4	-	23	27
Due from other funds	-	-	25	25
Property taxes receivable	504	-	2,520	3,024
Total Assets	2,506	3,734,564	2,568	3,739,638
Liabilities				
Current Liabilities				
Accounts payable	-	351,874	-	351,874
Retainage payable	-	669,254	-	669,254
Due to other funds	25	-	-	25
Due to District No. 1	976	100	-	1,076
Total Liabilities	1,001	1,021,228	-	1,022,229
Deferred Inflows of Resources				
Deferred property tax revenue	504	-	2,520	3,024
Total Deferred Inflows of Resources	504	-	2,520	3,024
Equity				
Fund Balance				
Restricted	-	2,713,336	48	2,713,384
Unassigned	1,001	-	-	1,001
Total Fund Balance	1,001	2,713,336	48	2,714,385
Total Liabilities, Equity and Deferred Inflows of Resources	\$ 2,506	\$ 3,734,564	\$ 2,568	\$ 3,739,638

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance	\$ 2,714,385
Amounts reported for governmental funds in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	17,218,243
Accrued interest on long-term debt does not require current financial resources therefore is not reported in the fund statements.	(2,285,221)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements.	(20,080,000)
Total Net Position	\$ (2,432,593)

The accompanying notes are an integral part of these financial statements

The Lakes Metropolitan District No. 4
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	Major Funds		Non Major Fund	Total Governmental Funds
	General	Capital Projects	Debt Service	
Revenues				
Property taxes	\$ 811	\$ -	\$ 4,056	\$ 4,867
Specific ownership taxes	56	-	280	336
Interest income	146	524,974	94	525,214
Facility fees	-	120,000	-	120,000
Total Revenue	1,013	644,974	4,430	650,417
Expenditures				
Operations				
Accounting	-	23,985	-	23,985
Legal	-	30,894	-	30,894
Engineering	-	2,836	-	2,836
Bank charges	-	28,223	3	28,226
Treasurer's fees	12	-	61	73
Trustee fees	-	-	4,000	4,000
Capital Outlay	-	14,398,688	-	14,398,688
Debt Service				
Bond interest expense	-	-	4,372	4,372
Total Expenditures	12	14,484,626	8,436	14,493,074
Net Change in Fund Balance	1,001	(13,839,652)	(4,006)	(13,842,657)
Fund Balance, Beginning of Year	-	16,552,988	4,054	16,557,042
Fund Balance, End of Year	\$ 1,001	\$ 2,713,336	\$ 48	\$ 2,714,385

Total Change in Fund Balance Governmental Fund \$ (13,842,657)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported in the fund statements.

Accrued interest (1,157,018)

Capital outlay to purchase or build capital assets is reported in governmental funds as an expenditure. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their useful lives.

14,398,688
\$ (600,987)

The Lakes Metropolitan District No. 4
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 811	\$ 811	\$ -
Specific ownership taxes	49	56	7
Interest income	250	146	(104)
Total Revenue	<u>1,110</u>	<u>1,013</u>	<u>(97)</u>
Expenditures			
Treasurer's fees	12	12	-
Transfers to District No. 1	848	-	848
Contingencies	250	-	250
Total Expenditures and Transfers	<u>1,110</u>	<u>12</u>	<u>1,098</u>
Net Change in Fund Balance	-	1,001	1,001
Beginning Fund Balance	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ 1,001</u>	<u>\$ 1,001</u>

The accompanying notes are an integral part of these financial statements

The Lakes Metropolitan District No. 4
Notes to Financial Statements
December 31, 2023

Note 1 Summary of Significant Accounting Policies

The Lakes Metropolitan District No. 4 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City of Brighton, Colorado (City). The District was established primarily to provide for the planning, design, financing, acquisition, and construction of certain public improvements. The District anticipates that all, or some, of the improvements may be dedicated to the City, or its designee. The District was formed concurrently with The Lakes Metropolitan District Nos. 1 – 3 and 5 – 6 (collectively, the "Districts".) It is anticipated that the Districts will undertake the financing and construction of Improvements contemplated in the Districts' Service Plans. Specifically, the Districts shall enter into one or more intergovernmental agreements which shall govern the relationships between and among the Districts with respect to the financing, construction, and operation and maintenance, as appropriate, of the Improvements contemplated in the Districts' Service Plans.

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

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statement of net position presents the financial position of the governmental activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the District. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Fund types used by the District are described below. The major funds of the District are the General Fund and the Capital Projects Fund.

Governmental Fund Type

General Fund –is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund- accounts for the revenues received related to the construction and acquisition of capital projects.

Debt Service Fund- accounts for the repayment of long-term debt incurred by the district.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are typically levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Accounting (continued)

Assets and Liabilities

Cash and cash equivalents - the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – all capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation of the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives range from 5-40 years for capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Accrued Liabilities and long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Inflows of Resources and Deferred Outflows of Resources

The District implemented the provisions of GASB No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net Position

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Accounting (continued)

c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable - consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$0 as of December 31, 2023.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 6). A reservation of \$0 of the General Fund balance has been made in compliance with this requirement. The District had \$2,713,336 restricted for the use of acquisition and construction of public improvements and \$48 restricted for the use of debt service.

Committed - General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2023.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2023, the assigned fund balance was \$0.

Unassigned - consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or amended by the District Board.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2023, the District's cash deposits had a carrying balance of \$982 with a corresponding bank balance of \$982, all of which is federally insured.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District had \$0 collateralized under PDPA.

The Colorado Divisions of Banking 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities and the World Bank.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

**The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023**

Note 2 Cash and Investments (Continued)

At December 31, 2023, the District had \$3,735,580 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 offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+ - The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under section 24-75-601, C.R.S., as amended.

COLOTRUST EDGE - The Trust operates similarly to a money market fund and each share is equal in value to \$10.00. The portfolio may invest in U.S. Treasury securities and 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 and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

As of December 31, 2023, the Board had not adopted a formal investment policy.

Note 3 Capital Assets

	Balance at 12/31/2022	Additions	Deletions	Balance at 12/31/2023
Nondepreciable				
Construction in progress	\$ 2,819,555	\$ 14,398,688	\$ -	\$ 17,218,243
Total Nondepreciable	2,819,555	14,398,688	-	17,218,243
Net Capital Assets	<u>\$ 2,819,555</u>	<u>\$ 14,398,688</u>	<u>\$ -</u>	<u>\$ 17,218,243</u>

Note 4 Long-term Debt

The District's long-term debt is as follows:

Series 2021A Limited Tax General Obligation Bonds (the Bonds) totaling \$20,080,000 dated December 23, 2021, with interest of 5.50%. The Required Mill Levy for the Bonds is capped at 50 mills subject to adjustments for changes in the ratio of actual value to assessed value of the property within the District. 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 the principal, premium if any, and interest on the Bonds as the same become due and payable. The Bonds are cash flow bonds,

**The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023**

Note 4 Long-term Debt (Continued)

meaning that interest and principal to the extent of pledged revenue available is due annually on December 1 of each year. To the extent principal of any Bond is not paid on or prior to the maturity date of such Bond, such principal will remain outstanding and will continue to bear interest at the rate then borne by the Bond and to the extent interest on any Bond is not paid when due, such interest is to be compound on each interest payment date, at the rate then borne by the Bond; provided, however, that notwithstanding anything in the Indenture to the contrary, the District is not to be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. The Bonds are also subject to mandatory redemption from available pledge revenue.

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026 to November 30, 2027	3.00%
December 1, 2027 to November 30, 2028	2.00%
December 1, 2028 to November 30, 2029	1.00%
December 1, 2029 and thereafter	0.00%

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2026 and on any date thereafter subject to a redemption premium which expires on December 1, 2029

The Bonds are secured by and payable from the Pledged Revenue, meaning monies derived by the District from the following sources, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. Any amounts remaining outstanding after December 2, 2061 will be discharged.

The Changes in Long-term Debt during 2023 were as follows:

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Amounts Due Within One Year
Series 2021A Bonds	\$ 20,080,000	\$ -	\$ -	\$ 20,080,000	\$ -
Total Long-term Debt	<u>\$ 20,080,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,080,000</u>	<u>\$ -</u>

Due to the nature of the repayment schedule of the bonds a future repayment schedule cannot be determined.

Note 5 Agreements

Intergovernmental Agreement Regarding Cost Sharing and Reimbursement

On June 8, 2021, the District and The Lakes Metropolitan District No. 1 (District No.1) entered into an *Intergovernmental Agreement Regarding Cost Sharing and Reimbursement*, in which District Nos. 3-6 have agreed to reimburse combined prior

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 5 Agreements (Continued)

costs advanced by District No. 1 which were allocated to each respective district. The prior costs will accrue at a simple interest rate of 6% per annum until fully paid. The District paid District No. 1 \$0 for the year ended December 31, 2023 related to the District's portion of the prior costs as outlined in this agreement.

District Coordinating Services Agreement

On June 19, 2018 the District entered into a *District Coordinating Services Agreement*. This agreement establishes District No.1 as the coordinating district and the District, District No. 3, District No. 5, and District No. 6 each as a financing district. As part of the agreement the coordinating district agreed to perform the administrative services for the Financing Districts and the coordinating district will own, operate and maintain all public improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the City, the County or other public entity. The financing district shall be responsible for any and all costs, fees, charges, and expenses incurred by the coordinating district in providing the administrative services and the operation and maintenance services.

Capital and Operations Costs Pledge Agreement

The District and District No. 1 entered into a *Capital and Operations Costs Pledge Agreement*, dated as of June 8, 2021, and pursuant to which the District and District No. 1 agreed to evidence the amount of \$301,608 as the District's allocable amount as set forth in the Cost Sharing IGA and agreed that the agreement constitutes an indebtedness or multiple fiscal year financial obligation pursuant to Article X, Section 20 of the Colorado Constitution. That amount will accrue interest at a simple interest rate of 6% per annum until paid. The District agreed to impose a mill levy of fifty (50) mills, subject to change and the limitations of applicable law, including the District's electoral authorization. The District's obligations under the agreement will not terminate until the amount is paid in full.

Assignment of and Second Amendment to Capital Improvements Pledge Agreement

On November 9, 2022 the District entered into an *Assignment of and Second Amendment to Capital Improvements Pledge Agreement* with District No. 1 and No. 3. This agreement assigns all rights and obligations relating to the *Capital Improvements Pledge Agreement as amended* dated June 15, 2020 from District No. 1 to District No. 4 and amends the term "Payment Obligation" to include applicable interest equal to District No. 4's Limited Tax General Obligation Bonds, Series 2021A. Additionally the agreement amends paragraph 4(b) to establish project costs and the proposed allocation, including applicable interest equal to District No. 3's bond interest rate. It also amended paragraph 4(c) to require District No. 4 to notify District No. 3 of its determination of the amount of Project Costs allocable to District No. 3 upon to the award of any contract for construction of the Improvements and to require interest equal to District No. 4's bond interest rate.

The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023

Note 6 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, the Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

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, which 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. As of December 31, 2023, the District did not have an emergency reserve as all operations are the responsibility of Lakes Metropolitan District No. 1.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation, and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded the District's commercial coverage in the last three years.

Note 8 Related Parties

Multiple members of the Board of Directors are officers or employees of owners (or affiliated entities) of property within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board.

**The Lakes Metropolitan District No. 4
Notes to Financial Statements (Continued)
December 31, 2023**

Note 9 Authorized but Unissued Debt

At December 31, 2023 the District has authorized but unissued debt for the following purposes:

Purpose	Principal Amount Voted at 2014 Election	Principal Amount of Voted Authorization Allocated to Bonds	Principal Amount of Voted Debt Authorization Remaining from 2014 Election
Street	\$ 80,000,000	\$ 9,698,706	\$ 70,301,294
Parks and Recreation	80,000,000	2,866,876	77,133,124
Water	80,000,000	2,305,650	77,694,350
Sanitation / Storm Sewer	80,000,000	5,208,768	74,791,232
Public Transportation	80,000,000	-	80,000,000
Mosquito Control	10,000,000	-	10,000,000
Safety Protection	80,000,000	-	80,000,000
Fire Protection	80,000,000	-	80,000,000
Television Relay / Translation	80,000,000	-	80,000,000
Security	80,000,000	-	80,000,000
TOTAL PUBLIC IMPROVEMENTS	730,000,000	20,080,000	709,920,000
Operations and Maintenance	80,000,000	-	80,000,000
Refunding	80,000,000	-	80,000,000
Intergovernmental Agreements	80,000,000	-	80,000,000
Private Agreements	-	-	-
In-District Special Assessments	-	-	-
GRAND TOTAL	\$ 970,000,000	\$ 20,080,000	\$ 949,920,000

The maximum total aggregate principal amount of debt that may be issued or incurred by all of the Districts combined shall not exceed \$120,000,000 without the prior approval of the Brighton City Council.

Other Supplemental Information

The Lakes Metropolitan District No. 4
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	\$ 334,000	\$ 524,974	\$ 190,974
Facility fees	-	120,000	120,000
Total Revenue	<u>334,000</u>	<u>644,974</u>	<u>310,974</u>
Expenditures			
Operations			
Accounting	20,000	23,985	(3,985)
Legal	20,000	30,894	(10,894)
Engineering	-	2,836	(2,836)
Bank charges	20,000	28,223	(8,223)
Capital outlay	<u>16,616,900</u>	<u>14,398,688</u>	<u>2,218,212</u>
Total Expenditures	<u>16,676,900</u>	<u>14,484,626</u>	<u>2,192,274</u>
Revenue Over (Under) Expenditures	<u>(16,342,900)</u>	<u>(13,839,652)</u>	<u>2,503,248</u>
Other Financing Sources and (Uses)			
Developer advances	2,441,478	-	(2,441,478)
Total Other Financing Sources and (Uses)	<u>2,441,478</u>	<u>-</u>	<u>(2,441,478)</u>
Net Change in Fund Balance	(13,901,422)	(13,839,652)	61,770
Beginning Fund Balance	13,901,422	16,552,988	2,651,566
Ending Fund Balance	<u>\$ -</u>	<u>\$ 2,713,336</u>	<u>\$ 2,713,336</u>

The accompanying notes are an integral part of these financial statements

The Lakes Metropolitan District No. 4
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 4,057	\$ 4,056	\$ (1)
Specific ownership taxes	243	280	37
Interest income	10,000	94	(9,906)
Total Revenue	<u>14,300</u>	<u>4,430</u>	<u>(9,870)</u>
Expenditures			
Operations			
Treasurer's fees	61	61	-
Bank charges	-	3	(3)
Trustee fees	4,000	4,000	-
Debt service			
Bond interest	239	4,372	(4,133)
Contingency	10,000	-	10,000
Total Expenditures	<u>14,300</u>	<u>8,436</u>	<u>5,864</u>
Net Change in Fund Balance	-	(4,006)	(4,006)
Beginning Fund Balance	-	4,054	4,054
Ending Fund Balance	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 48</u>

The accompanying notes are an integral part of these financial statements