

**E-86 METROPOLITAN DISTRICT**

**Financial Statements**

**December 31, 2023**

# E-86 METROPOLITAN DISTRICT

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Dazzo & Associates, PC

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
E-86 Metropolitan District  
Elbert County, Colorado

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the E-86 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 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 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 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 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 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 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 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 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 opinion on the basic financial statements is 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 basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and 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.

*Dazio & Associates, P.C.*

March 12, 2024

## **BASIC FINANCIAL STATEMENTS**

**E-86 METROPOLITAN DISTRICT**

**STATEMENT OF NET POSITION**

**December 31, 2023**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Investments	\$ 3,766
Cash and Investments - Restricted	270
Receivable from County Treasurer	1
Property Taxes Receivable	62,282
Prepaid Expense	3,495
Capital Assets Not Being Depreciated	13,467,162
<b>Total Assets</b>	<b>13,536,976</b>
<b>Liabilities</b>	
Accounts Payable	3,041
Accrued Interest Payable	30,408
Noncurrent Liabilities	
Due In More Than One Year	15,246,959
<b>Total Liabilities</b>	<b>15,280,408</b>
<b>Deferred Inflows of Resources</b>	
Unearned Property Taxes	62,282
<b>Net Position</b>	
Net Investment In Capital Assets	86,735
Restricted:	
Emergencies	1,290
Unrestricted	(1,893,739)
<b>Total Net Position</b>	<b>\$ (1,805,714)</b>

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

E-86 METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities			Capital Grants and Contributions	Activities
General Government	\$ 61,156	\$ -	\$ -	\$ (61,156)
Interest and Related Costs on Long-term Debt	615,231	-	-	(615,231)
Total Governmental Activities	\$ 676,387	\$ -	\$ -	(676,387)
		General Revenues:		
		Property Taxes		134
		Specific Ownership Taxes		22
		Net Investment Income		88,710
		Total General Revenues		88,866
		Changes In Net Position		(587,521)
		Net Position - Beginning		(1,218,193)
		Net Position - Ending		\$ (1,805,714)

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

**E-86 METROPOLITAN DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>				
Cash and Investments	\$ 3,766	\$ -	\$ -	\$ 3,766
Cash and Investments - Restricted	-	270	-	270
Receivable from County Treasurer	-	1	-	1
Property Taxes Receivable	11,231	51,051	-	62,282
Prepaid Expenditures	3,495	-	-	3,495
<b>Total Assets</b>	<u>\$ 18,492</u>	<u>\$ 51,322</u>	<u>\$ -</u>	<u>\$ 69,814</u>
<b>Liabilities</b>				
Accounts Payable	\$ 3,041	\$ -	\$ -	\$ 3,041
<b>Deferred Inflows of Resources</b>				
Unearned Property Taxes	11,231	51,051	-	62,282
<b>Fund Balances</b>				
Nonspendable				
Prepaid Expenses	3,495	-	-	3,495
Restricted				
Emergencies	1,290	-	-	1,290
Debt Service	-	271	-	271
Unassigned	(565)	-	-	(565)
<b>Total Fund Balances</b>	<u>4,220</u>	<u>271</u>	<u>-</u>	<u>4,491</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 18,492</u>	<u>\$ 51,322</u>	<u>\$ -</u>	<u>\$ 69,814</u>

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

**E-86 METROPOLITAN DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**December 31, 2023**

Total Fund Balances - Governmental Funds \$ 4,491

Total net position reported for governmental activities in the  
statement of net position is different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Those assets consist of:

Capital Assets Not Being Depreciated 13,467,162

Long-term liabilities applicable to the District's governmental  
activities are not due and payable in the current period and  
accordingly are not reported as fund liabilities. Interest on  
long-term debt is not accrued in governmental funds, but rather  
is recognized as an expenditure when due. All liabilities - both  
current and long-term - are reported in the statement of net  
position.

Balances at year end are:

General Obligation Bonds Payable	\$ (7,120,000)	
Matured Interest Payable	(969,174)	
Accrued Interest Payable	(30,408)	
Developer Advance - Operations	(177,553)	
Developer Advance - Operations - Accrued Interest	(27,366)	
Developer Advance - Capital	(6,763,024)	
Developer Advance - Capital - Accrued Interest	(189,842)	(15,277,367)

Net Position - Governmental Activities \$ (1,805,714)

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

**E-86 METROPOLITAN DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For the Year Ended December 31, 2023**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues</b>				
Property Taxes	\$ 24	\$ 110	\$ -	\$ 134
Specific Ownership Tax	4	18	-	22
Net Investment Income	1	10	88,699	88,710
<b>Total Revenues</b>	<b>29</b>	<b>138</b>	<b>88,699</b>	<b>88,866</b>
<b>Expenditures</b>				
Current				
Accounting	16,157	-	4,157	20,314
Audit	4,900	-	-	4,900
Bank Fees	-	-	5,639	5,639
District Management	3,501	-	-	3,501
Office Supplies	916	-	-	916
Election	351	-	-	351
Insurance and Dues	4,258	-	-	4,258
Legal	12,925	-	656	13,581
Treasurer's Fees	1	3	-	4
Paying Agent Fees	-	4,000	-	4,000
Capital				
Engineering	-	-	7,695	7,695
Streets	-	-	7,429,961	7,429,961
Water	-	-	2,454,462	2,454,462
Sewer	-	-	1,836,566	1,836,566
Parks and Recreation	-	-	1,173,628	1,173,628
Developer Advance Payment	-	-	6,853	6,853
<b>Total Expenditures</b>	<b>43,009</b>	<b>4,003</b>	<b>12,919,617</b>	<b>12,966,629</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(42,980)</b>	<b>(3,865)</b>	<b>(12,830,918)</b>	<b>(12,877,763)</b>
<b>Other Financing Sources</b>				
Developer Advances	57,853	-	6,769,877	6,827,730
Transfer In (Out)	(4,000)	4,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>53,853</b>	<b>4,000</b>	<b>6,769,877</b>	<b>6,827,730</b>
<b>Net Change in Fund Balances</b>	<b>10,873</b>	<b>135</b>	<b>(6,061,041)</b>	<b>(6,050,033)</b>
<b>Fund Balances - Beginning</b>	<b>(6,653)</b>	<b>136</b>	<b>6,061,041</b>	<b>6,054,524</b>
<b>Fund Balances - Ending</b>	<b>\$ 4,220</b>	<b>\$ 271</b>	<b>\$ -</b>	<b>\$ 4,491</b>

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

**E-86 METROPOLITAN DISTRICT**

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

**For the Year Ended December 31, 2023**

Net Change in Fund Balances - Total Governmental Funds		\$ (6,050,033)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlay		12,894,617
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Repayment to Developer - Capital	\$ 6,853	
Developer Advance - Operations	(57,853)	
Developer Advance - Operations - Accrued Interest	(11,823)	
Developer Advance - Capital	(6,769,877)	
Developer Advance - Capital - Accrued Interest	<u>(189,842)</u>	(7,022,542)
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:		
Change in accrued interest on bonds payable		<u>(409,563)</u>
Change in Net Position - Governmental Activities		<u><u>\$ (587,521)</u></u>

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

**E-86 METROPOLITAN DISTRICT**

**GENERAL FUND**

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

**For the Year Ended December 31, 2023**

**(With Comparative Totals for the Year Ended December 31, 2022)**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2022 Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 24	\$ 24	\$ -	\$ 27
Specific Ownership Tax	2	4	2	4
Net investment income	-	1	1	1
<b>Total Revenues</b>	<b>26</b>	<b>29</b>	<b>3</b>	<b>32</b>
<b>Expenditures</b>				
Current				
Accounting	27,000	16,157	10,843	17,310
Audit	4,900	4,900	-	4,900
District Management	8,500	3,501	4,999	3,040
Election	3,800	351	3,449	254
Insurance and Dues	4,600	4,258	342	4,213
Legal	32,000	12,925	19,075	11,567
Office Supplies	1,300	916	384	932
Treasurer's Fees	1	1	-	1
Emergency Reserve	4,000	-	4,000	-
Contingency	40,000	-	40,000	-
<b>Total Expenditures</b>	<b>126,101</b>	<b>43,009</b>	<b>83,092</b>	<b>42,217</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(126,075)</b>	<b>(42,980)</b>	<b>83,095</b>	<b>(42,185)</b>
<b>Other Financing Sources</b>				
Developer Advances	131,000	57,853	(73,147)	22,000
Transfers Out	(4,000)	(4,000)	-	-
<b>Total Other Financing Sources (U)</b>	<b>127,000</b>	<b>53,853</b>	<b>(73,147)</b>	<b>22,000</b>
<b>Net Change in Fund Balance</b>	<b>925</b>	<b>10,873</b>	<b>9,948</b>	<b>(20,185)</b>
<b>Fund Balance - Beginning</b>	<b>13,059</b>	<b>(6,653)</b>	<b>(19,712)</b>	<b>13,532</b>
<b>Fund Balance - Ending</b>	<b>\$ 13,984</b>	<b>\$ 4,220</b>	<b>\$ (9,764)</b>	<b>\$ (6,653)</b>

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

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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#### **Note 1 – Definition of Reporting Entity**

The E-86 Metropolitan District (the “District”), was originally organized by recorded Order and Decree of the District Court for the County of Elbert on November 29, 2018 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District operates under a Service Plan approved by the Town of Elizabeth (the “Town”) on August 28, 2018. The District’s service boundaries are located entirely within the Town.

Pursuant to the Service Plan, the District has the power to provide for the design, acquisition, construction, installation, relocating, redeveloping and financing of certain water, sanitation, storm drainage, street, safety protection, park and recreation, transportation, television relay and translation, mosquito control, and fire protection improvements and services.

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

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

The District is not financially accountable to any other organization, nor is the District a component unit of any other primary governmental entity.

#### **Note 2 – Summary of Significant Accounting Policies**

The more significant accounting policies of the District are described as follows:

##### **Government-Wide and Fund Financial Statements**

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

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* 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 revenue are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

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

The government-wide financial statements are reported using *the economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation, if any, is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. The major source of revenue susceptible to accrual are developer advances. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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The District reports the following major governmental funds:

**General Fund** – This 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.

**Debt Service Fund** - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**Capital Projects Fund** - This fund is used to account for the acquisition and construction of the District's 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 level and lapses at year end. The District can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

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

#### **Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single 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 and investments.

Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

#### **Restricted Assets**

Certain assets whose use is restricted for bonded debt service by debt indentures and capital projects are segregated on the government-wide statement of net position and the fund balance sheet.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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#### **Property Taxes**

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

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

#### **Capital Assets**

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets defined by the District as assets include improvements to buildings and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, one item, unavailable revenue – property tax, is reported in both the government-wide statement of net position and the governmental funds balance sheet. This amount is deferred and recognized as inflow of resources in the period that the amounts become available.

#### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premiums and discounts. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method and charged to interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new proceeds received, are reported as debt services expenditures, in both the government-wide statements and fund financial statements.

#### **Net Position and Fund Equity**

##### Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets 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 improvement of those assets.

Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation.

Unrestricted net position represents assets that do not have any third-party limitations on their use.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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

#### Fund Balances

Generally, the fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned and unassigned. Due to circumstances which differ amongst 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 legally or contractually required to be maintained intact.

*Restricted fund balance* – The portion of fund balances that is constrained to be 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 policy to use the most restrictive classification first.

E-86 METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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**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	\$	3,766
Cash and Investments - Restricted		270
Total Cash and Investments	\$	<u>4,036</u>

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

Deposits with Financial Institutions	\$	3,766
Investments		270
Total Cash and Investments	\$	<u>4,036</u>

**Cash Deposits**

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (“PDPA”) governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance and carrying balance of \$3,766.

E-86 METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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**Investments**

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

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

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

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

At December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Government Liquid Asset Trust (COLOTRUST PLUS+)	Weighted Average under 60 Days	<u>\$ 270</u>

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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#### 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. As of December 31, 2022, COLOTRUST EDGE possessed a weighted average maturity of 124 days and a weighted average life of 166 days.

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 PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor’s. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. 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.

**E-86 METROPOLITAN DISTRICT**

**NOTES TO THE 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Easements	\$ 35,318	\$ -	\$ -	\$ 35,318
Construction in progress	537,227	12,894,617	-	13,431,844
	<u>\$ 572,545</u>	<u>\$ 12,894,617</u>	<u>\$ -</u>	<u>\$ 13,467,162</u>

Upon completion, a significant portion of capital assets will be conveyed by the District to other local governments. The District will not be responsible for the maintenance of those assets. Upon acceptance of the improvements by other local governments, the District will remove the cost of construction from its capital assets.

**Note 5 – Long-Term Obligations**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Limited Tax					
Cash Flow Bonds, Series 2021A <sub>(3)</sub>					
Principal	\$ 7,120,000	\$ -	\$ -	\$ 7,120,000	\$ -
Matured Unpaid Interest	574,815	394,359	-	969,174	-
Developer Advance - 2018-2019 OFA					
Principal	32,700	-	-	32,700	-
Accrued Interest	8,205	2,615	-	10,820	-
Developer Advance - MYOFA					
Principal	87,000	57,853	-	144,853	-
Accrued Interest	7,338	9,208	-	16,546	-
Developer Advance - Capital					
Principal	-	6,769,877	6,853	6,763,024	-
Accrued Interest	-	189,842	-	189,842	-
	<u>\$ 7,830,058</u>	<u>\$ 7,423,754</u>	<u>\$ 6,853</u>	<u>\$ 15,246,959</u>	<u>\$ -</u>

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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#### **General Obligation Bonds**

The District issued General Obligation Limited Tax Cash Flow Bonds, Series 2021A<sub>(3)</sub>, on May 14, 2021, in the amount of \$7,120,000 (the “2021 Bonds”).

#### **Use of Proceeds**

Proceeds from the sale of the Bonds will be used for: (a) reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure; and (b) paying other costs incurred in connection with the issuance of the 2021 Bonds.

#### **Bond Details**

The 2021 Bonds will bear interest at 5.125%, payable annually from Pledged Revenue on December 1, beginning on December 1, 2021. The 2021 Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. The Bonds mature December 1, 2051.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or December 2, 2061 and shall continue to bear interest at the rate then borne on the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each Interest Payment Date, at the rate then borne by the Bonds; provided however, that notwithstanding anything in the Indenture to the contrary, the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds.

The 2021 Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of 3%, declining to 2% on June 1, 2027, and then declining to 1% on June 1, 2028, and no redemption premium June 1, 2029, and thereafter.

Notwithstanding anything herein to the contrary, the 2021 Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2061 (the “Termination Date”), regardless of the amount of principal and interest paid prior to the Termination Date.

**E-86 METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

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**Pledged Revenue**

Pledged Revenue are those revenues derived from the Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy and any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

**Required Mill Levy**

Pursuant to the Indenture, the District covenanted to impose a Required Mill Levy, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County on all taxable property of the District each year in an amount sufficient to fund the Bond Fund and pay the Bonds when due, but not in excess of 50.000 mills less the number of mills necessary to pay any unlimited mill levy debt, or such lesser mill levy which will fund the Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full; provided however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2008, the minimum mill levy provided herein shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

**E-86 METROPOLITAN DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2023**

**Authorized Debt**

On November 6, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed of \$250,000,000 in aggregate principal amount of general obligation debt to finance the costs of acquiring, installing, constructing, and equipping the Public Improvements; \$25,000,000 for operations debt; \$25,000,000 for intergovernmental agreements debt and \$25,000,000 for refunding purposes, at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized on November 6, 2018</b>	<b>Series 2021 General Obligation Bonds</b>	<b>Authorized but Unissued at December 31, 2023</b>
Public Improvements	\$ 250,000,000	\$ 7,120,000	\$ 242,880,000
Operations and Maintenance	25,000,000	-	25,000,000
Refundings	25,000,000	-	25,000,000
Intergovernmental Agreements	25,000,000	-	25,000,000
	<u>\$ 325,000,000</u>	<u>\$ 7,120,000</u>	<u>\$ 317,880,000</u>

The Service Plan limits the District to issuing \$25,000,000 in debt. Following the issuance of the 2021 Bonds, the District has voter authorized but unissued debt from the 2018 Election in the amount of \$17,880,000.

**Developer Advances**

**2018 - 2019 Operation Funding Agreement**

On December 12, 2018, with an effective date of November 29, 2018, the District entered into an Operation Funding Agreement (the “2018-2019 OFA”) with E 86 J.V., LLC. (the “Developer”).

The District anticipated a shortfall in operations revenues of \$100,000 (the “Shortfall Amount”) for the fiscal years 2018 through 2019. The Developer advances funds necessary to fund, or directly pay, the District's operations and maintenance expenses on a periodic basis as needed for fiscal years 2018 through 2019 up to the Shortfall Amount. The agreement was amended on October 29, 2019, to increase the Shortfall Amount for fiscal years 2018 through 2020 to \$150,000. The agreement was further amended on October 29, 2020, to increase the term through 2024.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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The advances accrue simple interest at a rate of 8.0% per annum from the date of deposit in the District's account. The repayment obligations do not constitute a multiple fiscal year financial obligation and are subject to annual appropriation. The obligation of the Developer to advance funds under the 2018–2019 OFA expire on March 15, 2025. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the 2018–2019 OFA on or before December 31, 2024, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

The District intends to repay amounts advanced by the Developer pursuant to the 2018–2019 OFA, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties, and charges and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation.

At December 31, 2023, outstanding advances under the 2018-2019 OFA totaled \$32,700 and accrued interest totaled \$10,820.

#### **Amended and Restated Operation Funding Agreement**

On April 21, 2021, the District entered into an Amended and Restated Operation Funding Agreement (the "MYOFA") with the Developer.

The District anticipates a shortfall in operations revenues of \$196,000 (the "Shortfall Amount") for the fiscal years 2021 through 2025. The Developer advances funds necessary to fund, or directly pay, the District's operations and maintenance expenses on a periodic basis as needed for fiscal years 2021 through 2025 up to the Shortfall Amount. The agreement was amended on October 29, 2021, with an effective date of April 21, 2021, to increase the Shortfall Amount for fiscal years 2021 through 2025 to \$250,000.

The District shall be required to impose on a yearly basis during the term of this Agreement a mill levy of at least 11 mills, as adjusted from January 1, 2008, (the "Operations Mill Levy") for the operations and maintenance expenses (the "Operations Expenses") of the District. The revenue generated from the Operations Mill Levy plus specific ownership taxes generated as a result of the Operations Mill Levy shall be the "Operations Revenue." Each year during the term of this Agreement, the District shall prepare a proposed overhead and administrative expenses budget for the following fiscal year, including the estimated Shortfall Amount for the applicable fiscal year (the "Assumed Annual Budget Amount"). The MYOFA provides that the Developer will advance funds to the District in an amount equal to the difference between the Assumed Annual Budget Amount and the Operations Revenue. It is projected that in the 2025 fiscal year, the Operations Revenue will equal or exceed the Assumed Annual Budget Amount.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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If the District imposes an Operations Mill Levy of less than 11 mills, the Developer is not obligated under this Agreement to fund any difference between the Operations Revenue that would be generated from the 11 mills Operations Mill Levy plus specific ownership taxes generated as a result of the Operations Mill Levy and the revenue generated from the Operations Mill Levy actually imposed in the applicable year.

The advances accrue simple interest at a rate of 8.0% per annum from the date of deposit in the District's account. The repayment obligations do not constitute a multiple fiscal year financial obligation and are subject to annual appropriation. The obligation of the Developer to advance funds under the MYOFA expire on December 31, 2061. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the MYOFA on or before December 31, 2061, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

The District intends to repay amounts advanced by the Developer pursuant to the MYOFA, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties, and charges and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation.

This MYOFA may be terminated unilaterally after December 31, 2024. This MYOFA terminates automatically if the Operations Revenue for the prior year was equal to or more than the Assumed Annual Budget Amount during such period.

At December 31, 2023, outstanding advances under the MYOFA totaled \$144,853 and accrued interest totaled \$16,546.

#### **Priority of Payments Made Pursuant to Operation Funding Agreements**

Payments to reimburse the Developer shall be made on December 2 of each year and shall be applied as follows: (a) first to accrued and unpaid interest and then principal on amounts received on the 2018-2019 OFA, but which remain outstanding, and then (b) first to the accrued and unpaid interest and then to the principal amount due pursuant to the MYOFA.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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#### **Facilities Funding and Acquisition Agreement**

On October 29, 2019, with an effective date of November 29, 2018, the District entered into a Facilities Funding and Acquisition Agreement (the "FFAA") with the Developer.

The FFAA provided that the District would reimburse the Developer for any advances made to the District for organization expenses (the "Organization Expenses") and construction related expenses (the "Construction Expenses") associated with the costs of improvements to be provided by the District for the period commencing January 1, 2018, through December 31, 2022, up to the Shortfall Amount. The total estimated cost to complete construction of the Improvements, including contingencies, is \$14,377,000 (the "Shortfall Amount"). However, no capital advances were ever made under the FFAA, and in 2021, the District, Developer, and Lennar Colorado, LLC ("Lennar") entered into a Facilities Acquisition and Reimbursement Agreement.

#### **Facilities Acquisition and Reimbursement Agreement**

On April 29, 2021, the District entered into a Facilities Funding and Acquisition Agreement, as amended and restated by that certain First Amended and Restated Facilities Acquisition and Reimbursement Agreement, dated January 1, 2022, with an effective date of April 29, 2021, and further amended by the First Amendment to the First Amended and Restated Facilities Acquisition and Reimbursement Agreement dated November 22, 2022 (as so amended and restated, the "FARA") with the Developer and Lennar. The FARA provides that the FFAA was terminated and that the FARA supersedes the FFAA in its entirety.

In order to carry out the design, construction, and/or acquisition of improvements, the District anticipates incurring certain costs associated with: (i) the design, construction, and/or acquisition of such Improvements (the "Capital Expenses"), and (ii) the general organization of the District, including, without limitation, certain legal, accounting, management, and engineering costs associated with the Improvements (the "Organization Expenses" and together with the Capital Expenses, the "Capital and Organization Expenses").

In order for the Property to be developed responsibly, efficiently, and in a timely manner, the Developer agreed to advance certain Capital and Organization Expenses under the FARA (respectively, the "E 86 J.V. Capital Advances" and the "E 86 J.V. Organization Advances," and collectively, the "E 86 J.V. Advances").

Additionally, the FARA acknowledges Lennar has expended Capital Expenses and will continue to expend Capital Expenses and costs for Unanticipated Offsite Improvements (collectively, the "Lennar Advances", and together with the E 86 J.V. Advances, the "Advances").

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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It is the intent of the Parties that all Advances under the FARA be reimbursed from the 2021 Bond Proceeds in accordance with the terms of this Agreement, provided that such Advances are Verified Costs.

The District shall reimburse the Advances in the following manner:

1. First, the District shall reimburse the E. 86 J.V. Advances in an amount not to exceed \$650,000 (the "First E 86 J.V. Reimbursement")
2. Second, the District shall reimburse the Lennar Capital Advances in an amount equal to \$4,000,000 and the Unanticipated Offsite Improvements in an amount not to exceed \$550,000 (the "Lennar Reimbursement")
3. Third, the District shall reimburse any remaining E. 86 J.V. Advances (the "Second E 86 J.V. Reimbursement")

During the year ended December 31, 2021, the District paid \$560,182 towards the First E 86 J.V. Reimbursement.

During the year ended December 31, 2023, the District paid the Lennar Reimbursement in its entirety.

Simple interest shall accrue on all Advances that are Verified Costs at the rate of four percent (4%) per annum as follows:

- a) On all E 86 J.V. Organization Advances, from the Organization Date of November 29, 2018 until the date of payment.
- b) On all E 86 J.V. Capital Advances made prior to the Organization Date, from the Organization Date until the date of payment.
- c) On all E 86 J.V. Capital Advances made after the Organization Date, from the date of deposit into the District's account or the date otherwise advanced on behalf of the District, or actually paid by E 86 J.V., until the date of payment.
- d) On all Lennar Advances, beginning sixty (60) days following the date upon which the related Application for Acceptance of Capital Costs is submitted by Lennar until the date of payment.

The Parties agree that payments by the District to the Developer and Lennar shall credit first against accrued and unpaid interest and then to the principal amount.

The FARA does not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation for the purposes of Article X, Section 20 of the Colorado Constitution, and subject to § 29-1-110(2), C.R.S.

E-86 METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

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At December 31, 2023, outstanding advances under the FARA totaled \$6,763,024 and accrued interest totaled \$189,842.

**Note 6 – Net Position**

The District’s net position consists of three components: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets 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 improvement of those assets.

The restricted component of net position consists of 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:	
Emergencies	\$ 1,290
Total Restricted Net Position:	<u>\$ 1,290</u>

In the government-wide financial statements, the District has an unrestricted net position deficit of as a result of capital improvements that were funded with long-term debt that will be dedicated to other entities, while the long-term debt remains an obligation of the District.

**Note 7 – Related Party**

The members of the Board of Directors are employees, officers, owners, consultants or are otherwise associated with the Developer of the District and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed.

## E-86 METROPOLITAN DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2023

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#### **Note 8 – Risk Management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or natural disasters.

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 general and public officials’ liability, property and workers compensation coverage. In the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

#### **Note 9 – Tax, Spending and Debt Limitations**

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

On November 6, 2018, 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 Article X, Section 20 of the Colorado Constitution.

**SUPPLEMENTARY INFORMATION**

**E-86 METROPOLITAN DISTRICT**

**DEBT SERVICE FUND**

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

**For the Year Ended December 31, 2023**

**(With Comparative Totals for the Year Ended December 31, 2022)**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2022 Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 110	\$ 110	\$ -	\$ 119
Specific Ownership Tax	10	18	8	19
Net Investment Income	5,000	10	(4,990)	1
<b>Total Revenues</b>	<b>5,120</b>	<b>138</b>	<b>(4,982)</b>	<b>139</b>
<b>Expenditures</b>				
Debt Service				
Bond Interest	117	-	117	-
Treasurer's Fees	3	3	-	3
Paying Agent Fees	4,000	4,000	-	-
Contingency	5,000	-	5,000	-
<b>Total Expenditures</b>	<b>9,120</b>	<b>4,003</b>	<b>5,117</b>	<b>3</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(4,000)</b>	<b>(3,865)</b>	<b>135</b>	<b>136</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	4,000	4,000	-	-
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>135</b>	<b>135</b>	<b>136</b>
<b>Fund Balance - Beginning</b>	<b>-</b>	<b>136</b>	<b>136</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ 271</b>	<b>\$ 271</b>	<b>\$ 136</b>

See the Accompanying Independent Auditor's Report

**E-86 METROPOLITAN DISTRICT**

**CAPITAL PROJECTS FUND**

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

**For the Year Ended December 31, 2023**

**(With Comparative Totals for the Year Ended December 31, 2022)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2022 Actual</b>
<b>Revenues</b>					
Net Investment Income	\$ 66,000	\$ 90,000	\$ 88,699	\$ (1,301)	\$ 103,145
<b>Expenditures</b>					
<b>Current</b>					
Accounting	15,000	15,000	4,157	10,843	2,624
Bank Fees	3,300	3,300	5,639	(2,339)	4,620
Legal	20,000	20,000	656	19,344	590
<b>Capital</b>					
Engineering	10,000	10,000	7,695	2,305	7,776
Streets	-	7,429,961	7,429,961	-	10,000
Water	-	2,454,462	2,454,462	-	-
Sewer	-	1,836,566	1,836,566	-	-
Parks and Recreation	-	1,173,628	1,173,628	-	-
Other Capital Improvements	6,046,956	-	-	-	-
Developer Advance Payment	-	-	6,853	(6,853)	-
Contingency	2,670,000	200,000	-	200,000	-
<b>Total Expenditures</b>	<b>8,765,256</b>	<b>13,142,917</b>	<b>12,919,617</b>	<b>223,300</b>	<b>25,610</b>
<b>Excess Revenues Over (Under)     Expenditures</b>	<b>(8,699,256)</b>	<b>(13,052,917)</b>	<b>(12,830,918)</b>	<b>221,999</b>	<b>77,535</b>
<b>Other Financing Sources</b>					
Developer Advances	2,670,000	6,991,876	6,769,877	(221,999)	-
Transfers In	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>2,670,000</b>	<b>6,991,876</b>	<b>6,769,877</b>	<b>(221,999)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(6,029,256)</b>	<b>(6,061,041)</b>	<b>(6,061,041)</b>	<b>-</b>	<b>77,535</b>
<b>Fund Balance - Beginning</b>	<b>6,029,256</b>	<b>6,061,041</b>	<b>6,061,041</b>	<b>-</b>	<b>5,983,506</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,061,041</b>

See the Accompanying Independent Auditor's Report

## **OTHER INFORMATION**

**E-86 METROPOLITAN DISTRICT**

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

Levy Year	Collection Year	Assessed Valuation	Mill Levy			Total Levy	Current Collection	Collection Rate
			General	Debt	Total			
2020	2021	\$ 1,700	66.664	0.000	66.664	\$ 113	\$ 113	100.00%
2021	2022	\$ 2,390	11.000	50.000	61.000	\$ 146	\$ 146	100.00%
2022	2023	\$ 2,000	12.083	54.924	67.007	\$ 134	\$ 134	100.00%

Estimated for  
year ending  
December 31,  
2024

\$ 935,941	12.000	54.545	66.545	\$ 62,282
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**Note:**

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