

LAKE OF THE ROCKIES METROPOLITAN
DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditors' Report

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Independent Auditors' Report

Board of Directors
Lake of the Rockies Metropolitan District
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Lake of the Rockies Metropolitan District (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Tatton and Company, LLC

Cedaredge, CO
October 24, 2024

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 36,570	\$ -	\$ 36,570	\$ -	\$ 36,570
Cash and investments - restricted	1,251	488,812	490,063	-	490,063
Receivable - County Treasurer	665	1,886	2,551	-	2,551
Accounts receivable - fees	10,358	-	10,358	-	10,358
Property taxes receivable	83,432	318,390	401,822	-	401,822
Capital assets, net of accumulated depreciation	-	-	-	649,686	649,686
	<u>-</u>	<u>-</u>	<u>-</u>	<u>649,686</u>	<u>649,686</u>
 Total Assets	 <u>\$ 132,276</u>	 <u>\$ 809,088</u>	 <u>\$ 941,364</u>	 <u>649,686</u>	 <u>1,591,050</u>
LIABILITIES					
Accounts payable	\$ 16,459	\$ -	\$ 16,459	\$ -	\$ 16,459
Accrued interest on bonds/long-term debt	-	-	-	11,021	11,021
Prepaid homeowner fees	6,441	-	6,441	-	6,441
Current portion of long-term debt	-	-	-	35,000	35,000
Long-term liabilities:					
Due in more than one year	-	-	-	3,161,844	3,161,844
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,161,844</u>	<u>3,161,844</u>
 Total Liabilities	 <u>22,900</u>	 <u>-</u>	 <u>22,900</u>	 <u>3,207,865</u>	 <u>3,230,765</u>
DEFERRED INFLOW OF RESOURCES					
Deferred property taxes	83,432	318,390	401,822	-	401,822
	<u>83,432</u>	<u>318,390</u>	<u>401,822</u>	<u>-</u>	<u>401,822</u>
 Total Deferred Inflows of Resources	 <u>83,432</u>	 <u>318,390</u>	 <u>401,822</u>	 <u>-</u>	 <u>401,822</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	1,251	-	1,251	(1,251)	-
Debt Service	-	490,698	490,698	(490,698)	-
Assigned:					
Subsequent years expenditures	14,225	-	14,225	(14,225)	-
Unassigned	10,468	-	10,468	(10,468)	-
	<u>10,468</u>	<u>-</u>	<u>10,468</u>	<u>(10,468)</u>	<u>-</u>
 Total Fund Balances	 <u>25,944</u>	 <u>490,698</u>	 <u>516,642</u>	 <u>(516,642)</u>	 <u>-</u>
 Total Liabilities, Deferred Inflows of of Resources and Fund Balances	 <u>\$ 132,276</u>	 <u>\$ 809,088</u>	 <u>\$ 941,364</u>		
 Net Position:					
Net investment in capital assets				(2,547,158)	(2,547,158)
Restricted for:					
Emergencies				1,251	1,251
Debt service				479,677	479,677
Unrestricted				24,693	24,693
				<u>24,693</u>	<u>24,693</u>
 Total Net Position				 <u>\$ (2,041,537)</u>	 <u>\$ (2,041,537)</u>

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
General expenses:					
Accounting	\$ 35,431	\$ -	\$ 35,431	\$ -	\$ 35,431
Audit	4,840	-	4,840	-	4,840
Billing	28,664	-	28,664	-	28,664
Covenant Enforcement	19,037	-	19,037	-	19,037
Dues and membership	516	-	516	-	516
Election	2,078	-	2,078	-	2,078
Insurance	4,582	-	4,582	-	4,582
Landscape maintenance	69,139	-	69,139	-	69,139
Legal	57,867	-	57,867	-	57,867
Management fees	56,829	-	56,829	-	56,829
Miscellaneous expenses	145	-	145	-	145
Snow removal	4,376	-	4,376	-	4,376
Trash collection	30,278	-	30,278	-	30,278
Treasurer's fees	1,239	3,517	4,756	-	4,756
Utilities	3,800	-	3,800	-	3,800
Website	600	-	600	-	600
Debt service:					
Series 2018A bond interest expense	-	133,750	133,750	(125)	133,625
Series 2018A principal	-	30,000	30,000	(30,000)	-
Series 2018B bond interest expense	-	98,000	98,000	(52,802)	45,198
Paying agent/trustee fees	-	6,000	6,000	-	6,000
Depreciation expense	-	-	-	50,683	50,683
	<u>319,421</u>	<u>271,267</u>	<u>590,688</u>	<u>(32,244)</u>	<u>558,444</u>
PROGRAM REVENUES					
Homeowner fees	182,058	-	182,058	-	182,058
Late fees/penalties	5,045	-	5,045	-	5,045
	<u>187,103</u>	<u>-</u>	<u>187,103</u>	<u>-</u>	<u>187,103</u>
Net Program Income (Expenses)					
	<u>(132,318)</u>	<u>(271,267)</u>	<u>(403,585)</u>	<u>32,244</u>	<u>(371,341)</u>
GENERAL REVENUES					
Property taxes	82,609	234,416	317,025	-	317,025
Specific ownership taxes	8,651	24,548	33,199	-	33,199
Interest income	2,393	29,345	31,738	-	31,738
	<u>93,653</u>	<u>288,309</u>	<u>381,962</u>	<u>-</u>	<u>381,962</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(38,665)	17,042	(21,623)	32,244	10,621
NET CHANGES IN FUND BALANCES					
	(38,665)	17,042	(21,623)	21,623	
CHANGE IN NET POSITION					
				10,621	10,621
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>64,609</u>	<u>473,656</u>	<u>538,265</u>	<u>(2,590,423)</u>	<u>(2,052,158)</u>
END OF YEAR	<u>\$ 25,944</u>	<u>\$ 490,698</u>	<u>\$ 516,642</u>	<u>\$ (2,558,179)</u>	<u>\$ (2,041,537)</u>

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 82,609	\$ 82,609	\$ 82,609	\$ -
Specific ownership taxes	8,261	8,261	8,651	390
Homeowner fees	184,140	184,140	182,058	(2,082)
Late fees/penalties	1,794	5,000	5,045	45
Interest income	-	2,381	2,393	12
	<u>276,804</u>	<u>282,391</u>	<u>280,756</u>	<u>(1,635)</u>
Total Revenues				
EXPENDITURES				
Accounting	37,500	37,500	35,431	2,069
Audit	5,750	5,750	4,840	910
Billing	19,500	30,000	28,664	1,336
Covenant Enforcement	14,950	14,950	19,037	(4,087)
Dues and membership	600	600	516	84
Election	8,500	2,100	2,078	22
Insurance	3,800	3,800	4,582	(782)
Landscape maintenance	24,200	70,000	69,139	861
Landscaping - contingency	3,000	-	-	-
Legal	45,000	60,000	57,867	2,133
Management fees	48,000	57,000	56,829	171
Miscellaneous expenses	1,000	1,000	145	855
Repairs and maintenance	2,000	-	-	-
Snow removal	13,800	5,000	4,376	624
Streets repairs and maintenance	1,000	1,000	-	1,000
Trash collection	30,000	30,000	30,278	(278)
Treasurer's fees	1,240	1,240	1,239	1
Utilities	4,000	4,000	3,800	200
Water usage	1,500	1,500	-	1,500
Website	1,200	1,200	600	600
Contingency	13,460	5,360	-	5,360
	<u>280,000</u>	<u>332,000</u>	<u>319,421</u>	<u>12,579</u>
Total Expenditures				
NET CHANGE IN FUND BALANCE	(3,196)	(49,609)	(38,665)	10,944
FUND BALANCE:				
BEGINNING OF YEAR	<u>72,993</u>	<u>64,609</u>	<u>64,609</u>	-
END OF YEAR	<u>\$ 69,797</u>	<u>\$ 15,000</u>	<u>\$ 25,944</u>	<u>\$ 10,944</u>

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on January 3, 2011, as a quasi-municipal organization established under the State of Colorado Special District Act. The Service Plan for the District was approved by the Town of Monument, Colorado (the Town) on May 3, 2010, and amended on January 20, 2015. The District's service area is located entirely in the Town. The District was established to acquire, install, and/or operate public infrastructure related to streets, water, sanitary sewer, parks and recreation, and provide covenant enforcement and design review services. The District's primary revenues are property taxes and homeowner fees. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Budgetary Accounting

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

On November 14, 2023, the District amended its total appropriations in the General Fund from \$280,000 to \$332,000 primarily due to the increase in expenses over the amount budgeted and in the Debt Service Fund from \$243,300 to \$275,000 primarily due to the increase in the interest payments over the amount budgeted.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

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

Deposits and Investments

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

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of December 31, 2023, the District has no items that qualify for reporting in this category.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

Long-Term Obligations

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related 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. Land and certain landscaping improvements are not depreciated. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Storm Drainage	30 years
Landscaping Improvements	10 Years

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

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Fund Equity

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,251 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$490,698 is restricted for the payment of the costs associated with the 2018A Senior Bonds and 2018B Subordinate Bonds, as defined below. (See Note 4)

Committed Fund Balance

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

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2024.

Unassigned Fund Balance

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

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Net Position

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

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

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

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

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

Note 2: Cash and investments

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

Statement of net position:	
Cash and investments	\$ 36,570
Cash and investments – restricted	<u>490,063</u>
	<u>\$ 526,633</u>

Cash and investments as of December 31, 202X consist of the following:

Deposits with financial institutions	\$ 10,749
Investments - COLOTRUST	<u>515,884</u>
	<u>\$ 526,633</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

None of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment, is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value (NAV) per share.

Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Colotrust

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2023, the District had \$515,884 invested in COLOTRUST.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 3: Capital Assets

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

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
<u>Governmental Type Activities:</u>				
<u>Capital assets being depreciated:</u>				
Storm Drainage Infrastructure	\$ 594,402	\$ -	\$ -	\$ 594,402
Landscaping Improvements	<u>308,699</u>	<u>-</u>	<u>-</u>	<u>308,699</u>
Total capital assets being depreciated:	<u>903,101</u>	<u>-</u>	<u>-</u>	<u>903,101</u>
<u>Accumulated depreciation:</u>				
Storm Drainage Infrastructure	(79,252)	(19,813)	-	(99,065)
Landscaping Improvements	<u>(123,480)</u>	<u>(30,870)</u>	<u>-</u>	<u>(154,350)</u>
Total accumulated depreciation	<u>(202,732)</u>	<u>(50,683)</u>	<u>-</u>	<u>(253,415)</u>
Net capital assets being depreciated:	<u>700,369</u>	<u>(50,683)</u>	<u>-</u>	<u>649,686</u>
Governmental type assets, net	<u>\$ 700,369</u>	<u>\$ (50,683)</u>	<u>\$ -</u>	<u>\$ 649,686</u>

Depreciation expense of \$50,683 for the year ended December 31, 2023, was charged to general governmental activities.

Note 4: Long Term Debt

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

	<u>Balance</u> <u>12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>	<u>Current</u> <u>Portion</u>
<u>General Obligation Bonds</u>					
Limited Tax General Obligation Bonds - Series 2018A	\$ 2,675,000	\$ -	\$ 30,000	\$ 2,645,000	\$ 35,000
Limited Tax General Obligation Subordinate Bonds - Series 2018A	439,000	-	-	439,000	-
Unpaid interest on Series 2018B Bonds Payable	<u>165,646</u>	<u>45,198</u>	<u>98,000</u>	<u>112,844</u>	<u>-</u>
Total	<u>\$ 3,279,646</u>	<u>\$ 45,198</u>	<u>\$ 128,000</u>	<u>\$ 3,196,844</u>	<u>\$ 35,000</u>

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

General Obligation Bonds

\$2,715,000 Series 2018A General Obligation Limited Tax Bonds (the 2018A Senior Bonds), and \$439,000 Series 2018B Subordinate General Obligation Limited Tax Bonds (the 2018B Subordinate Bonds, and together with the 2018A Senior Bonds, the Bonds)

On August 1, 2018, the District issued the 2018A Senior Bonds and 2018B Subordinate Bonds, in the amounts of \$2,715,000 and \$439,000, respectively. Proceeds from the sale of the 2018A Senior Bonds were used to: (i) pay project costs; (ii) pay the costs of issuance of the Bonds; (iii) fund the Senior Reserve Fund; and (iv) fund capitalized interest. The proceeds of the 2018B Subordinate Bonds were used to pay project costs.

The 2018A Senior Bonds bear interest at 5.00%, payable semi-annually on June 1 and December 1, beginning on December 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021, through December 1, 2047, with a final sinking fund principal payment due on August 1, 2048. The 2018A Senior Bonds mature on August 1, 2048.

The 2018B Subordinate Bonds were issued at the rate of 7.50% per annum and payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on August 1, 2048. The 2018B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the 2018B Subordinate Bonds compounds annually on each December 15. In the event any amount due and owing on the 2018B Subordinate Bonds remains outstanding on December 15, 2058, such amount shall be deemed discharged and no longer be due and outstanding.

The 2018A Senior Bonds and the 2018B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2023, and December 15, 2023, respectively, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, between 0% and 3%.

The 2018A Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which includes:

- (a) property taxes generated by the imposition of the Senior Required Mill Levy;
- (b) the Capital Fees (if any);
- (c) the portion of Specific Ownership Taxes attributable to the Senior Required Mill Levy; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The 2018B Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- (a) property taxes generated by the imposition of the Subordinate Required Mill Levy;
- (b) the Subordinate Capital Fee Revenue (if any) (meaning any revenue from the Capital Fees remaining after deduction of any amounts applied to the payment of the 2018A Senior Bonds);
- (c) the portion of Specific Ownership Taxes attributable to the Subordinate Required Mill Levy; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

"Capital Fees" generally means all fees, rates, tolls, penalties and charges of a capital nature (excluding periodic, recurring service charges imposed by the District). The operations and maintenance fees currently imposed by the District are not considered to be Capital Fees and are not included as pledged revenue.

The District has covenanted to impose a Senior Required Mill Levy each year in an amount sufficient to pay the 2018A Senior Bonds as they come due, and if necessary, an amount sufficient to replenish the Senior Reserve Fund to the amount of the Senior Required Reserve, but (i) not in excess of 50 mills less the amount of the Operations Mill Levy, and (ii) for so long as the Senior Surplus Fund is less than the Maximum Surplus Amount, not less than 50 mills less the amount of the Operations Mill Levy, or such lesser mill levy which will fund the Senior Bond Fund and pay the 2018A Senior Bonds as they come due, will replenish the Senior Reserve Fund to the amount of the Senior Required Reserve, and will fund the Senior Surplus Fund up to the Maximum Surplus Amount. In the event the method of calculating assessed valuation is changed after January 1, 2010, the minimum and maximum mill levies shall be increased or decreased to reflect such changes, such increase 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.

The total adjusted mill levy certified in 2023 for collection in 2024 is 59.504 mills.

The Operations Mill Levy is defined as the number of mills necessary to produce the dollar amount of the Operations Deduction. The Operations Deduction is defined as the amount reasonably determined by the District as being necessary to pay the District's operations and maintenance expenses, but not in excess of the following: (i) for levy year 2018 (for collection in 2019), the amount of \$79,386, and (ii) for each levy year thereafter, an additional 1%.

The District has covenanted to impose a Subordinate Required Mill Levy in the amount of 50 mills (subject to adjustment) less the amount of the Senior Bond and the Operations Mill Levy, or such lesser mill levy which, after the deduction of the Senior Bond Mill Levy and the Operations Mill Levy, will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the 2018B Subordinate Bonds in full. The Senior Bond Mill Levy means the mill levy required to pay any Senior Bonds.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The 2018A Senior Bonds are also secured by amounts on deposit in the Senior Reserve Fund, which was funded from 2018A Senior Bond proceeds in the amount of the Senior Required Reserve of \$209,000, and by amounts on deposit in the Senior Surplus Fund. The Senior Surplus Fund is anticipated to be funded from Senior Pledged Revenue that is not needed to pay debt service on the 2018A Senior Bonds in any year, up to the Maximum Surplus Amount of \$271,500. Pursuant to the Senior Indenture, the Senior Surplus Fund is to be maintained for so long as any 2018A Senior Bond is outstanding. As of December 31, 2023, the balance in the Reserve Fund was \$211,664 and the balance in the Surplus Fund was \$273,769.

Events of default occur on the 2018A Senior Bonds if the District a) Fails to impose the Senior Required Mill or to apply the Senior Pledged Revenue as required by the Senior Indenture; (b) Defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Senior Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the Senior Indenture; and (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2018A Senior Bonds. The Senior Indenture states that it is acknowledged that, due to the limited nature of the Senior Pledged Revenue, the failure to pay the principal of or interest on the 2018A Senior Bonds when due does not, of itself, constitute an Event of Default thereunder.

In the event of default on the 2018A Senior Bonds, the trustee shall have the following remedies 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the 2018A Senior Bonds is not an available remedy for an event of default.

Events of default occur on the 2018B Subordinate Bonds if the District a) Fails to impose the Subordinate Required Mill or to apply the Subordinate Pledged Revenue as required by the Senior Indenture; (b) Defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Senior Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the Subordinate Indenture; and (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2018B Subordinate Bonds. The Subordinate Indenture states that it is acknowledged that, due to the limited nature of the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the 2018B Subordinate Bonds when due does not, of itself, constitute an Event of Default thereunder.

In the event of default on the 2018B Subordinate Bonds, the trustee shall have the following remedies 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the 2018B Subordinate Bonds is not an available remedy for an event of default.

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements for the 2018A Senior Bonds.

Year Ending, December 31,	Principal	Interest	Total
2024	\$ 35,000	\$ 132,250	\$ 167,250
2025	35,000	130,500	165,500
2026	40,000	128,750	168,750
2027	45,000	126,750	171,750
2028	50,000	124,500	174,500
2029-2033	310,000	581,500	891,500
2034-2038	450,000	490,750	940,750
2039-2043	620,000	362,500	982,500
2044-2048	1,060,000	178,333	1,238,333
	\$ 2,645,000	\$ 2,255,833	\$ 4,900,833

Due to the uncertainty of the timing of principal and interest payments on the 2018B Subordinate Bonds, a schedule of the estimated timing of these payments is not available.

Debt Authorization

As of December 31, 2023, the District had voted but unissued debt of \$2,846,000 for providing public improvements, \$150,000 for District operations, and \$6,000,000 for refunding purposes. The District had \$1,846,000 of debt capacity remaining under its current Service Plan limit. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. The District has not budgeted to issue any debt during 2023.

Note 5: Tax, Spending and Debt Limitations

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

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

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

On November 3, 2010, 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.

Note 6: Risk Management

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

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

Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

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

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTARY INFORMATION

LAKE OF THE ROCKIES METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 234,415	\$ 234,415	\$ 234,416	\$ 1
Specific ownership taxes	23,441	24,548	24,548	-
Interest income	<u>13,302</u>	<u>29,381</u>	<u>29,345</u>	<u>(36)</u>
Total Revenues	<u>271,158</u>	<u>288,344</u>	<u>288,309</u>	<u>(35)</u>
EXPENDITURES				
Series 2018A bond interest expense	133,750	133,750	133,750	-
Series 2018A principal	30,000	30,000	30,000	-
Series 2018B bond interest expense	-	98,000	98,000	-
Paying agent/trustee fees	6,000	6,000	6,000	-
Treasurer's fees	3,507	3,507	3,517	(10)
Contingency	<u>70,043</u>	<u>3,743</u>	<u>-</u>	<u>3,743</u>
Total Expenditures	<u>243,300</u>	<u>275,000</u>	<u>271,267</u>	<u>3,733</u>
NET CHANGE IN FUND BALANCE	27,858	13,344	17,042	3,698
FUND BALANCE:				
BEGINNING OF YEAR	<u>472,726</u>	<u>473,656</u>	<u>473,656</u>	<u>-</u>
END OF YEAR	<u>\$ 500,584</u>	<u>\$ 487,000</u>	<u>\$ 490,698</u>	<u>\$ 3,698</u>