

ADAMS EAST METROPOLITAN DISTRICT  
Adams County, Colorado

FINANCIAL STATEMENTS  
DECEMBER 31, 2023

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Adams East Metropolitan District  
Adams County, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Adams East 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 Adams East Metropolitan District, as of December 31, 2023, and the respective changes in financial position 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 Auditors' 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.

## **Auditors' 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 auditors' 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**

Accounting principles generally accepted in the United States of America require that the general fund budgetary comparison schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### **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 budgetary comparison schedule 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 budgetary comparison schedule 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 basic financial statements. The other information comprises the schedule of assessed valuation, mill levy, and property taxes collected, but does not include the basic financial statements and our auditors’ 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.

*The Adams Group, LLC*

Greenwood Village, Colorado  
March 20, 2024

## BASIC FINANCIAL STATEMENTS

ADAMS EAST METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2023

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 868,599
Receivable from county treasurer	1,770
Prepaid items	2,710
Due from other governments	286,351
Property tax receivable	773,407
Total Assets	1,932,837
 <u>Liabilities</u>	
Accounts payable	10,573
Total Liabilities	10,573
 <u>Deferred Inflows of Resources</u>	
Unavailable property taxes	773,407
Total Deferred Inflows of Resources	773,407
 <u>Net Position</u>	
Restricted	
Emergencies	35,400
Unrestricted	1,113,457
Total Net Position	\$ 1,148,857

The accompanying notes are an integral part of the financial statements.

ADAMS EAST METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,163,030	\$ -	\$ -	\$ -	\$ (1,163,030)
Interest and expenses on long-term debt	43,404	-	-	-	(43,404)
Total Governmental Activities	\$ 1,206,434	\$ -	\$ -	\$ -	(1,206,434)
GENERAL REVENUES:					
Property taxes					314,865
Specific ownership taxes					21,555
Sales taxes					910,963
Investment earnings					21,088
Total General revenues					1,268,471
Change in net position					62,037
Net Position, Beginning					1,086,820
Net Position, Ending					\$ 1,148,857

The accompanying notes are an integral part of the financial statements.

ADAMS EAST METROPOLITAN DISTRICT  
GOVERNMENTAL FUNDS – BALANCE SHEET  
DECEMBER 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and investments	\$ 868,599	\$ -	\$ 868,599
Receivable with county treasurer	1,770	-	1,770
Due from other governments	286,351	-	286,351
Property taxes receivable	773,407	-	773,407
Prepaid items	2,710	-	2,710
Total Assets	<u>\$ 1,932,837</u>	<u>\$ -</u>	<u>\$ 1,932,837</u>
 <u>Liabilities, deferred inflows of resources and fund balance</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 10,573	\$ -	\$ 10,573
Total Liabilities	<u>10,573</u>	<u>-</u>	<u>10,573</u>
 <u>Deferred inflows of resources:</u>			
Unavailable property taxes	<u>773,407</u>	<u>-</u>	<u>773,407</u>
Total Deferred Inflows of Resources	<u>773,407</u>	<u>-</u>	<u>773,407</u>
 <u>Fund balance:</u>			
Nonspendable			
Prepaid items	2,710	-	2,710
Assigned			
Subsequent years' budget	500,324	-	500,324
Restricted			
Emergencies	35,400	-	35,400
Unassigned			
Total Fund Balances	<u>1,148,857</u>	<u>-</u>	<u>1,148,857</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,932,837</u>	<u>\$ -</u>	<u>\$ 1,932,837</u>

The accompanying notes are an integral part of the financial statements.

ADAMS EAST METROPOLITAN DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2023

Total fund balance, governmental funds	\$ 1,148,857
Total net position of governmental activities	<u>\$ 1,148,857</u>

The accompanying notes are an integral part of the financial statements.

ADAMS EAST METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
<u>Revenues</u>			
Taxes:			
Property taxes	\$ 226,703	\$ 88,162	\$ 314,865
Specific ownership taxes	-	21,555	21,555
Sales taxes	-	910,963	910,963
Earnings on investments	588	20,500	21,088
Total revenues	227,291	1,041,180	1,268,471
<u>Expenditures</u>			
Current:			
Accounting	32,401	-	32,401
Accounting consulting	30,503	982	31,485
Auditing	9,000	-	9,000
County treasury fees	3,757	-	3,757
Director's fees	2,200	-	2,200
District management and accounting	7,349	-	7,349
Dues and subscriptions	2,103	-	2,103
Insurance and bonds	2,608	-	2,608
Intergovernmental expenditures	1,000,000	-	1,000,000
Legal	26,842	-	26,842
Organization costs	40,000	-	40,000
Repairs and maintenance	5,121	-	5,121
Other expenditures	164	-	164
Debt service:			
Principal	-	2,584,703	2,584,703
Interest and fiscal charges	-	71,578	71,578
Total expenditures	1,162,048	2,657,263	3,819,311
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(934,757)	(1,616,083)	(2,550,840)
<u>Other Financing Sources (Uses)</u>			
Transfers in	1,091,081	-	1,091,081
Transfers out	-	(1,091,081)	(1,091,081)
Total other financing sources (uses)	1,091,081	(1,091,081)	-
Net change in fund balances	156,324	(2,707,164)	(2,550,840)
Fund balances - beginning	992,533	2,707,164	3,699,697
Fund balances - ending	\$ 1,148,857	\$ -	\$ 1,148,857

The accompanying notes are an integral part of the financial statements.

ADAMS EAST METROPOLITAN DISTRICT  
RECONCILIATION OF THE OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023

Net change in fund balance - total governmental funds: \$ (2,550,840)

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

The issuance of long-term debt provides current financial resources to fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental fund. Neither transaction, however, has any effect on net position.

Principal payments 2,584,703

Some expenses in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures in the governmental fund.

Change in accrued interest on notes 28,174

Change in net position of governmental activities \$ 62,037

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Adams East Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on November 10, 2010 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in the City of Brighton and Adams County, Colorado.

The District was established principally to coordinate the construction, acquisition, financing, and maintenance of public improvements, including streets and safety control, landscaping, water, sewer, storm drainage, television relay and park and recreation improvements and facilities. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the City or County or its designee for operation and maintenance. The District has the maintenance obligation, but not the ownership. Certain landscaping, park and recreation improvements and street lighting are maintained by the District or by an Owners' association.

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 for any other District 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 inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets, and redemption of bonds, notes and developer advances 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 recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for all revenue streams. The major sources of revenue susceptible to accrual are sales taxes, property taxes and specific ownership taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred, or the long-term obligation is due. All other revenue items are considered to be measurable and available only when cash is received by the District.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

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

Budgets

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

Assets, Liabilities, Deferred Inflows of Resources, and Fund Balance / Net Position

Pooled Cash 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 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 single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (continued)

The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the 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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

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.

Deferred Inflows of Resources

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

Fund Balances

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

*Nonspendable fund balance* – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact. At December 31, 2023, the General Fund had nonspendable fund balance of \$2,710.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (continued)

*Restricted fund balance* – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation. The restricted fund balance in the amount of \$35,400 in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Colorado Constitution.

*Committed fund balance* – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

*Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority. The assigned fund balance of \$500,324 represents the budgeted deficit in the general fund for the subsequent years budget.

*Unassigned fund balance* – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report up to 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.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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.

Current Year GASB Pronouncement

For the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which provides guidance on the accounting and financial reporting for SBITAs for governments. The implementation of the new standard had no impact on the District’s net position as of December 31, 2023.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying statement of net position as follows:

Cash and investments	\$ 868,599
Total cash and investments	<u>\$ 868,599</u>

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

Deposits with financial institutions	\$ 868,599
Total deposits	<u>\$ 868,599</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (continued)

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 State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance and carrying balance of \$868,599.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, 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 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 and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment pools

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

As of December 31, 2023, the District’s investment balance was \$0.

NOTE 4 – LONG-TERM OBLIGATIONS

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

	Balances December 31, 2022	Additions	Deletions	Balances December 31, 2023	Due In One Year
Revenue and refunding					
Note, Series 2019	\$ 2,584,703	\$ -	\$ 2,584,703	\$ -	\$ -
Total	<u>\$ 2,584,703</u>	<u>\$ -</u>	<u>\$ 2,584,703</u>	<u>\$ -</u>	<u>\$ -</u>

The detail of the District’s long-term obligations is as follows:

Direct Borrowing

Refunding and Improvement Revenue Note Series 2019

On July 24, 2019, the District issued a \$4,275,000 Refunding and Improvement Revenue Note Series 2019 (Series 2019 Note). The Series 2019 Note matures on December 1, 2026. The interest rate on the Series 2019 Note is 4.36% per annum. Principal and interest payments on the Series 2019 Note are due quarterly on January 1, April 1, July 1, and October 1.

The Series 2019 Note is secured by and payable from pledged revenues, which consist primarily of sales tax revenues, property taxes derived from the required mill levy, net of any costs of collection and specific ownership taxes remitted to the District from collections by the county primarily from motor vehicle licensing.

The Series 2019 Note was acquired for the purpose of providing funds to (i) refund the Series 2014 Note, (ii) finance improvements related to infrastructure and (ii) fund a debt service reserve for the Series 2019 Note. The Series 2019 Note may be prepaid at the option of the District, in whole or in part, upon payment of the sum of the principal amount plus accrued interest thereon to the date of prepayment, and a prepayment premium ranging from 0% to 2%. In accordance with the Series 2019 Note provisions, both a reserve fund and a projects fund were established. During the year ended December 31, 2023, the Series 2019 Note was paid in full, and the balance is \$0.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 2, 2010, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$100,300,000 at an interest rate not to exceed 18% per annum. Such amount of indebtedness was re-authorized by a majority of the qualified electors of the District on November 3, 2015 and November 3, 2020.

At December 31, 2023, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

	<b>Total Authorized</b>	<b>Remaining at December 31, 2023</b>
Street improvements	\$ 32,000,000	\$ 25,869,301
Park and recreation facilities	1,000,000	1,000,000
Water supply improvements	7,000,000	7,000,000
Sanitary sewer system	8,150,000	8,150,000
Safety protection	1,000,000	1,000,000
Operations and maintenance	1,000,000	1,000,000
Debt refunding	50,150,000	47,183,182
Total	\$ 100,300,000	\$ 91,202,483

Although the electors authorized \$100,300,000 of indebtedness, the District’s service plan limits indebtedness to \$39,600,000, of which \$30,502,483 is remaining.

NOTE 5 – NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2023, the net investment in capital asset balance was \$0 as all assets were conveyed during prior years.

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation.

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 5 – NET POSITION (CONTINUED)

The District's restricted net position at December 31, 2023, consists of \$35,400 for emergency reserves. As of December 31, 2023, the District had an unrestricted balance of \$1,113,457.

NOTE 6 – RELATED PARTIES

The members of the Board of Directors of the District are employees of, owners of, or otherwise associated with S3L Holdings, LLC and Flywheel Holdings, LLC and may have conflicts of interest in dealing with the District.

NOTE 7 – INTERGOVERNMENTAL AGREEMENTS

Cost Sharing Intergovernmental Agreement

Effective January 1, 2019, the District and Bromley Park Metropolitan District No. 3 (BPMD3) entered into a Cost Sharing Intergovernmental Agreement (CSIA) to designate funds and allocate responsibilities for the financing and construction of public improvements for certain projects to provide efficiencies of scale and cost by collaborating and sharing costs for those certain projects which benefits both districts.

Effective August 22, 2023, the District and Silver Peaks Metropolitan District No. 5 (SPMD5) entered into an intergovernmental agreement for project improvements (Lochbuie Improvement Project) for the design and construction of public improvements. It is anticipated that AEMD will issue debt and establish a project fund for the purpose of the project.

The CSIA terminates on December 31, 2023 but will automatically renew for an additional one-year term unless notice of intent to terminate the CSIA is provided by either district no later than October 1 of a succeeding year. Neither party provided a notice of intent to terminate during the 2023 calendar year, so the CSIA automatically renewed for one year beginning January 1, 2024.

NOTE 8 – RISK MANAGEMENT

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

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

ADAMS EAST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 8 – RISK MANAGEMENT (CONTINUED)

The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage.

In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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, except Enterprise.

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 will require judicial interpretation.

On November 2, 2010 (as re-authorized on November 3, 2015 and November 3, 2020), a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$1,000,000 annually for District operations and maintenance. The electors also authorized the District to collect, retain, and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

REQUIRED SUPPLEMENTARY INFORMATION

ADAMS EAST METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 226,211	\$ 226,211	\$ 226,703	\$ 492
Earnings on investments	1,000	1,000	588	(412)
Other revenue	1,000	1,000	-	(1,000)
Total revenues	<u>228,211</u>	<u>228,211</u>	<u>227,291</u>	<u>(920)</u>
<u>Expenditures</u>				
Current:				
Accounting	25,000	32,000	32,401	(401)
Accounting consulting	20,000	32,000	30,503	1,497
Auditing	10,500	9,000	9,000	-
County treasury fees	3,393	5,000	3,757	1,243
Director's fees	4,000	4,000	2,200	1,800
District management and accounting	45,000	25,500	7,349	18,151
Dues and subscriptions	1,500	1,500	2,103	(603)
Engineering and consulting	10,000	10,000	-	10,000
Insurance and bonds	5,000	5,000	2,608	2,392
Intergovernmental expenditures	-	1,000,000	1,000,000	-
Legal	25,000	15,000	26,842	(11,842)
Organization costs	-	40,000	40,000	-
Permits	5,000	-	-	-
Repairs and maintenance	20,000	15,000	5,121	9,879
Support services	20,000	20,000	-	20,000
Other expenditures	6,000	5,000	164	4,836
Contingency reserve	6,900	60,000	-	60,000
Capital outlay	1,000,000	-	-	-
Total expenditures	<u>1,207,293</u>	<u>1,279,000</u>	<u>1,162,048</u>	<u>116,952</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(979,082)	(1,050,789)	(934,757)	116,032
<u>Other Financing Sources</u>				
Transfers in	60,508	60,508	1,091,081	1,030,573
Total other financing sources	<u>60,508</u>	<u>60,508</u>	<u>1,091,081</u>	<u>1,030,573</u>
Net change in fund balances	(918,574)	(990,281)	156,324	1,146,605
Fund balances - beginning	1,192,187	992,533	992,533	-
Fund balances - ending	<u>\$ 273,613</u>	<u>\$ 2,252</u>	<u>\$ 1,148,857</u>	<u>\$ 1,146,605</u>

See accompanying Independent Auditors' Report

SUPPLEMENTARY INFORMATION

ADAMS EAST 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>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<u>Revenues</u>				
Taxes:				
Property taxes	\$ 87,971	\$ 87,971	\$ 88,162	\$ 191
Specific ownership taxes	21,993	21,993	21,555	(438)
Sales taxes	750,000	750,000	910,963	160,963
Earnings on investments	2,500	2,500	20,500	18,000
Total revenues	<u>862,464</u>	<u>862,464</u>	<u>1,041,180</u>	<u>178,716</u>
<u>Expenditures</u>				
Current:				
County treasurer fees	1,320	1,320	982	338
Debt service:				
Principal	2,584,703	2,584,703	2,584,703	-
Interest and fiscal charges	<u>106,024</u>	<u>106,024</u>	<u>71,578</u>	<u>34,446</u>
Total expenditures	<u>2,692,047</u>	<u>2,692,047</u>	<u>2,657,263</u>	<u>34,784</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,829,583)	(1,829,583)	(1,616,083)	213,500
<u>Other Financing Sources (Uses)</u>				
Transfers out	<u>(60,508)</u>	<u>(1,107,953)</u>	<u>(1,091,081)</u>	<u>16,872</u>
Total other financing sources (uses)	<u>(60,508)</u>	<u>(1,107,953)</u>	<u>(1,091,081)</u>	<u>16,872</u>
Net change in fund balance	(1,890,091)	(2,937,536)	(2,707,164)	230,372
Fund balance - beginning	<u>1,890,091</u>	<u>2,707,164</u>	<u>2,707,164</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ (230,372)</u>	<u>\$ -</u>	<u>\$ 230,372</u>

See accompanying Independent Auditors' Report.

## OTHER INFORMATION

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

<u>Year ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2014	\$ 115,660	25.000	\$ 2,892	\$ 2,889	99.91%
2015	2,602,720	25.000	65,068	65,068	100.00%
2016	6,829,350	25.000	170,734	170,734	100.00%
2017	7,452,510	25.000	186,313	185,561	99.60%
2018	7,463,280	25.000	186,582	185,882	99.62%
2019	8,573,570	25.000	214,339	215,796	100.68%
2020	10,004,920	25.000	250,123	250,123	100.00%
2021	11,373,580	25.000	284,340	278,436	97.92%
2022	12,529,370	25.424	318,547	316,341	99.31%
2023	12,567,290	25.000	314,182	314,865	100.22%

Estimated for the year  
ending December 31,  
2024

\$	17,186,820	45.000	\$	773,407
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**Note:**

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