

**SEVERANCE SHORES METROPOLITAN  
DISTRICT NO. 4  
Weld County, Colorado**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2023**

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## TABLE OF CONTENTS


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<b>INDEPENDENT AUDITORS' REPORT</b>	<b>I</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Position	1
Statement of Activities	2
<b>FUND FINANCIAL STATEMENTS</b>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual – General Fund	6
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	7
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual – Debt Service Fund	17
<b>OTHER INFORMATION</b>	
Schedule of Debt Service Requirements to Maturity	18

## **INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Severance Shores Metropolitan District No. 4

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of Severance Shores Metropolitan District No. 4, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the 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 Severance Shores Metropolitan District No. 4, as of December 31, 2023, the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Severance Shores Metropolitan District No. 4 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Severance Shores Metropolitan District No. 4's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Severance Shores Metropolitan District No. 4's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Severance Shores District No. 4's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

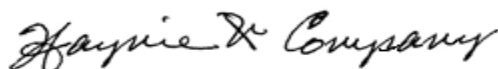
### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Severance Shores Metropolitan District No. 4's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund 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 Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund 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 report. 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.



Littleton, CO  
July 26, 2024

## **BASIC FINANCIAL STATEMENTS**

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - restricted	\$ 920,331
Property taxes receivable	86,914
Due from other entities	430
Total assets	<u><u>1,007,675</u></u>
<b>LIABILITIES</b>	
Accrued interest payable on bonds	23,610
Due to other entities	35
Non-current liabilities:	
Due within one year	70,000
Due in more than one year	7,538,059
Total liabilities	<u><u>7,631,704</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	86,914
Total deferred inflows of resources	<u><u>86,914</u></u>
<b>NET POSITION</b>	
Unrestricted	(6,710,943)
Total net position	<u><u>\$ (6,710,943)</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>			<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Primary government:					
Governmental activities:					
General government	\$ 20,871	\$ -	\$ -	\$ -	\$ (20,871)
Interest and expenses on long-term debt	286,750	-	-	-	(286,750)
	\$ 307,621	\$ -	\$ -	\$ -	(307,621)
General revenues:					
Property taxes					69,071
Specific ownership taxes					2,938
Interest					44,748
IGA revenue					387,253
Total general revenues					504,010
Change in net position					196,389
Net position - beginning					(6,907,332)
Net position - ending					\$ (6,710,943)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2023**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments - restricted	\$ -	\$ 920,331	\$ 920,331
Property taxes receivable	14,486	72,428	86,914
Due from other entities	35	395	430
Total assets	14,521	993,154	1,007,675
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other entities	35	-	35
Total liabilities	35	-	35
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	14,486	72,428	86,914
Total deferred inflows of resources	14,486	72,428	86,914
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	920,726	920,726
Total fund balances	-	920,726	920,726
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	\$ 14,521	\$ 993,154	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

Bond payable	(7,354,000)
Bond premium	(254,059)
Accrued interest on bonds payable	(23,610)
Net position of governmental activities	\$ (6,710,943)

These financial statements should be read only in connection with  
the accompanying notes to financial statements

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property tax	\$ 11,512	\$ 57,559	\$ 69,071
Specific ownership tax	490	2,448	2,938
IGA revenue	-	387,253	387,253
Interest	5	44,743	44,748
Total Revenues	<u>12,007</u>	<u>492,003</u>	<u>504,010</u>
<b>EXPENDITURES</b>			
General			
County Treasurer Fees	173	864	1,037
Audit	-	8,000	8,000
Debt Service			
Paying agent fees	-	7,000	7,000
Bond interest - 2020A	-	290,000	290,000
Bond principal	-	55,000	55,000
Total Expenditures	<u>173</u>	<u>360,864</u>	<u>361,037</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>11,834</u>	<u>131,139</u>	<u>142,973</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to District No. 1/Developer Advance Reimbursement	(11,834)	-	(11,834)
Total other financing sources	<u>(11,834)</u>	<u>-</u>	<u>(11,834)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>131,139</u>	<u>131,139</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>789,587</u>	<u>789,587</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 920,726</u>	<u>\$ 920,726</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2023**

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

Net change in fund balance - Total governmental funds	\$	131,139
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Amortization of bond premium		9,693
Payment of bond principal		55,000

Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on bonds payable		557
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Change in net position of governmental activities	\$	<u>196,389</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2023**

	<b>Budgeted Amount Original &amp; Final</b>	<b>YTD Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property tax	\$ 11,512	\$ 11,512	\$ -
Specific ownership tax	705	490	(215)
Interest	100	5	(95)
Total Revenues	<u>12,317</u>	<u>12,007</u>	<u>(310)</u>
<b>EXPENDITURES</b>			
County treasurer fees	175	173	2
Contingency/miscellaneous	100	-	100
Total Expenditures	<u>275</u>	<u>173</u>	<u>102</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>12,042</u>	<u>11,834</u>	<u>(208)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to District No. 1 - Operations	(12,042)	(11,834)	208
Total other financing sources (uses)	<u>(12,042)</u>	<u>(11,834)</u>	<u>208</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS

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### 1. DEFINITION OF REPORTING ENTITY

Severance Shores Metropolitan District No. 4 (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on November 25, 2015 concurrently with three other Districts. Severance Shores District Nos. 1-4 ("the Districts") were organized to provide for the construction and financing of street, safety control and landscaping improvements. The Districts' service area is located entirely within the Town of Severance in Weld County, Colorado, commonly known as "Severance Shores". District No. 1 is the "Coordinating District" and expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2-4, as "Financing Districts", are expected to contain residential development, include future development and provide revenue to support the Districts' activities. As such, the District obtained financing for reimbursing and acquiring public improvement projects. District Nos. 2 – 4 ("Taxing Districts") are responsible for providing the funding and tax base needed to support the Coordinating District and service debt. The revenue from property taxes levied by the Taxing Districts are pledged to District No. 1 for operations and District No. 4 for debt service.

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

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

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Government-Wide and Fund Financial Statements** — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all of the financial and capital resources of the District. The difference between the assets and the liabilities and deferred inflows of resources is reported as net position.

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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The statement of activities demonstrates the degree to which 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) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Separate financials are provided for governmental funds.

**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 flow.

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 period or soon enough thereafter to pay liabilities of the current fiscal 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. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following major governmental funds:

*General Fund* – The General Fund is the government's general operating fund. It is used to account for all financial resources not accounted for and reported in another fund.

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

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

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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**Budget Information** — In accordance with the State Budget Law, 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 appropriation is at the total fund expenditures 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. Budget amounts are as originally adopted or amended.

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

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

**Cash and Investments** — The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. The District's investments are reported at net asset value (NAV).

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Fund Balance Classification** — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classification of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Non-spendable* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

*Restricted* – The portion of fund balance constrained to being used for a specific purpose by

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

*Committed* – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned* – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

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

### 3. CASH AND INVESTMENTS

The District's cash and investments are classified in the accompanying financial statements as of December 31, 2023:

Statement of net position:

Cash and investments-restricted	<u>\$920,331</u>
Total cash and investments	<u>\$920,331</u>

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

Investments - COLOTRUST	<u>\$920,331</u>
Total cash and investments	<u>\$920,331</u>

**Deposits with financial institutions** — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2023, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had no cash deposits as of December 31, 2023.

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

The District generally limits its investments to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the district is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain certificates of participation
- Certain securities lending agreements

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 920,331</u>

### **COLOTRUST**

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), 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 the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust currently offers three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

security allowed under CRS 24-75-601. COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

#### 4. LONG-TERM LIABILITIES

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

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Limited tax general obligation bonds -					
Series 2020A	\$ 5,800,000	\$ -	\$ 55,000	\$ 5,745,000	\$ 70,000
Series 2020B	1,609,000	-	-	1,609,000	-
Bond issuance premium	263,752	-	9,693	254,059	-
	<u>\$ 7,672,752</u>	<u>\$ -</u>	<u>\$ 64,693</u>	<u>\$ 7,608,059</u>	<u>\$ 70,000</u>

**\$5,800,000 Senior Limited Tax General Obligation Bonds, Series 2020A** — On March 18, 2020, the District issued \$5,800,000 in senior limited tax general obligation bonds. The 2020A bonds bear an interest rate of 5%. Interest payments are due semiannually June 1 and December 1 commencing on June 1, 2020. The bonds mature on December 1, 2049.

The bonds constitute limited tax general obligations of the District payable from Pledged Revenue. Pledged revenue includes all Senior Property Tax Revenues, all Senior Specific Ownership Tax Revenues, and any other legally available moneys which District No. 4 determines, in its absolute discretion to credit to the Senior Bond Fund.

In order to support payment of the Series 2020A Senior Bonds, the District, the bond issuer and the Taxing Districts, entered into a Senior Capital Pledge Agreement which obligates the Taxing Districts to levy ad valorem property taxes and to pay such taxes and specific ownership taxes to the Senior Indenture Trustee. The senior required mill levy constitutes a mill levy imposed by all of the Taxing Districts sufficient to pay principal and interest on the Series 2020A Senior Bonds as they become due but not in excess of 50 mills increased or decreased so that the actual tax revenues generated by the mill levy are neither diminished or enhanced as a result of changes in the ratio of actual valuation to assessed valuation.

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

**\$1,609,000 Subordinate Limited Tax General Obligation Bonds, Series 2020B** — On March 18, 2020, the District issued \$1,609,000 in subordinate limited tax general obligation bonds. The 2020B bonds bear an interest rate of 8.25%. Interest payments are due annually on December 15 commencing on December 15, 2025. The bonds mature on December 15, 2049.

The bonds constitute limited tax general obligations of the District payable from Subordinate Pledged Revenue. Subordinate pledged revenue means all money derived from imposition by the Taxing Districts of the Subordinate Required Mill Levy. The Subordinated pledged revenue includes all property tax collected by the District.

In order to support payment of the Series 2020B Subordinate Bonds, the District, the bond issuer, the Taxing Districts, and the Subordinate Indenture Trustee entered into a Subordinate Capital Pledge Agreement which obligates the Taxing Districts to levy ad valorem property taxes and to pay such taxes and specific ownership taxes to the Subordinate Indenture Trustee. The subordinate required mill levy constitutes a mill levy imposed by all of the Taxing Districts in an amount equal to 50 mills less the then-applicable Senior Obligation Mill Levy increased or decreased so that the actual tax revenues generated by the mill levy are neither diminished or enhanced as a result of changes in the ratio of actual valuation to assessed valuation.

The senior long term debt will mature as follows:

<b>Series 2020A</b>			
<b>Limited Tax General Obligation Bonds</b>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 70,000	\$ 287,250	\$ 357,250
2025	70,000	283,750	353,750
2026	80,000	280,250	360,250
2027	85,000	276,250	361,250
2028	100,000	272,000	372,000
2029-2033	615,000	1,278,000	1,893,000
2034-2038	895,000	1,098,000	1,993,000
2039-2043	1,250,000	840,750	2,090,750
2044-2048	1,720,000	483,500	2,203,500
2049	860,000	43,000	903,000
	<u>\$ 5,745,000</u>	<u>\$ 5,142,750</u>	<u>\$ 10,887,750</u>

Because of the uncertainty of the timing of the principal and interest payment of the Series 2020B Bonds, no schedule of principal and interest payments is presented.

The following are considered to be events of default under the bond agreements:

- (a) The issuer fails or refuses to impose the applicable Senior Required Mill Levy or to apply Senior Pledged Revenue as required by the Senior Indenture, or any other Taxing District fails or refuses to impose the Senior Required Mill Levy or to apply the revenues resulting therefrom as required by the Senior Pledge Agreement.
- (b) The Issuer defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Senior Indenture or the Bond Resolution and fails to remedy the same after notice thereof pursuant to the Senior Indenture, or any other Taxing District defaults in the performance or observance of any other of the covenants, agreements

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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- or conditions on the part of such Taxing District in the Senior Pledge Agreement and fails to remedy the same after notice thereof pursuant to the Senior Indenture.
- (c) The Issuer files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bond.

### 5. DEBT AUTHORIZATION

On November 3, 2015, the electors of the Districts, collectively, authorized the issuance of indebtedness in an amount not to exceed \$7,700,000 for improvements, \$7,700,000 for operations and maintenance, and \$7,700,000 for refunding, refinancing or defeasing district debt and other fiscal obligations. Pursuant to the Service Plan, the District is permitted to issue indebtedness of up to \$7,700,000. As of December 31, 2023, the Districts had \$15,691,000 remaining authority under the Service Plan.

### 6. AGREEMENTS

**Intergovernmental Agreement** — On August 15, 2018, the Districts entered into an Intergovernmental Agreement (the “IGA”) in order to implement the Service Plan. According to the Service Plan, District No. 1 is the coordinating district and is expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2 through 4 are financing districts and contain residential development. The financing districts are expected to include development and provide revenue to support the Districts’ activities. The IGA provides that District No. 1 shall be the owner and operator of district owned improvements and may provide for the funding of construction, operation or maintenance of the public improvements through further and future indebtedness. District Nos. 2-4 shall impose and collect any property taxes, remit the proceeds of any indebtedness, taxes or otherwise provide for the funding of the construction, operation or maintenance of the public improvements. The IGA stipulates the obligations and limitations of District No. 1 as the “operator” of the public improvements.

The IGA also engages District No. 1 as the “district administrator” for all the Districts. District administration includes preparation of annual budgets, engagement of legal counsel and other consultants and statutory compliance measures.

**Advance and Reimbursement Agreement** — On August 15, 2018, the Districts, collectively, entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$7,700,000 in installments available to the Districts through December 1, 2020. The funds advanced under the agreement shall be applied to capital costs of the Districts as established in the Districts’ annual budgets. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

**Funding and Reimbursement Agreement** — On August 15, 2018, the Districts, collectively, entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$500,000. The funds advanced under the agreement shall be applied to costs associated with formation, administration, operations and maintenance of public facilities and for other budgeted general fund expenditures during the term of the Agreement. The term of the agreement is annually renewable for one year terms to be considered at the time of the budget approval of the Districts. Upon request of the Developer, the Districts agreed to issue Promissory Notes to evidence the repayment obligation of the existing loan advances. Amounts

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

**Improvement Acquisition Agreement** — On August 15, 2018, the Districts, collectively, entered into an Improvement Acquisition Agreement with Severance Overlook Investments, LLC (the “Developer”). The Developer has designed and constructed certain improvements on behalf of the District. Pursuant to the agreement, the Districts agreed to acquire from the Developer completed improvements or improvements under construction and improvements constructed in the future. The purchase price shall be equal to the District’s costs. As of the date of the agreement, the Districts did not have funds available to pay for the acquisition of improvements. The Districts agreed to acquire the improvements from bond proceeds and subordinate obligations issued to the Developer.

**Pledge Agreements** – On August 15, 2018, District Nos. 2, 3 and 4 (“Taxing Districts”) entered into a Senior Capital Pledge Agreement with the Senior Indenture trustee to support the payment of the Series 2020A Senior Bonds, and a Subordinate Capital Pledge Agreement with the Subordinate Indenture trustee to support the payment of the Series 2020B Subordinate Bonds. See Note 4 for additional information on the bonds.

### 7. NET POSITION

The District’s net position includes two components: restricted and unrestricted.

Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no restricted net position at December 31, 2023.

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2023, the District had unrestricted net position of (\$6,710,943). This deficit is primarily due to the effects of the District’s bond indebtedness, which remain an obligation of the District. The proceeds were used to reimburse the developer for the construction of capital assets that were conveyed to other governmental entities. The deficit will be reduced over time through intergovernmental revenue and the collection of taxes.

### 8. RELATED PARTY

The Developer of the property which constitutes the District is Severance Overlook Investments LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District.

### 9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (Pool) in 2020, under Severance Shores Metropolitan District No. 1. The Pool is an organization created by an

# SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4

## NOTES TO FINANCIAL STATEMENTS (continued)

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intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

District No. 1 pays annual premiums to the Pool for liability and public officials liability 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.

### **10. TAX, SPENDING AND DEBT LIMITATIONS**

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. All revenues of the District are transferred to District No. 1 pursuant to the IGA; therefore, District No. 1 has established the Emergency Reserves for all Districts within the project.

On November 3, 2015, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2017 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTAL INFORMATION**

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**Year Ended December 31, 2023**

	<b>Budgeted Amounts Original</b>	<b>Budgeted Amounts Final</b>	<b>YTD Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property tax	\$ 57,559	\$ 57,559	\$ 57,559	\$ -
Specific ownership tax	3,450	2,448	2,448	-
IGA revenue	392,138	387,253	387,253	-
Interest/Miscellaneous income	14,000	44,743	44,743	-
Total Revenues	<u>467,147</u>	<u>492,003</u>	<u>492,003</u>	<u>-</u>
<b>EXPENDITURES</b>				
<u>General</u>				
County Treasurer Fees	865	864	864	-
Audit	-	8,000	8,000	-
<u>Debt Service</u>				
Paying agent fees	8,500	7,000	7,000	-
Bond interest	290,000	290,000	290,000	-
Bond principal	55,000	55,000	55,000	-
Total Expenditures	<u>354,365</u>	<u>360,864</u>	<u>360,864</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>112,782</u>	<u>131,139</u>	<u>131,139</u>	<u>-</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>791,899</u>	<u>789,587</u>	<u>789,587</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 904,681</u>	<u>\$ 920,726</u>	<u>\$ 920,726</u>	<u>\$ -</u>

## **OTHER INFORMATION**

**SEVERANCE SHORES METROPOLITAN DISTRICT NO. 4**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2023**

**\$5,800,000 Series 2020A**  
**Limited Tax General Obligation Bonds**  
**Dated March 18, 2020**  
**Interest Rate of 5.00%**  
**Payable on June 1 and December 1**  
**Principal Due on December 1**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 70,000	\$ 287,250	\$ 357,250
2025	70,000	283,750	353,750
2026	80,000	280,250	360,250
2027	85,000	276,250	361,250
2028	100,000	272,000	372,000
2029	105,000	267,000	372,000
2030	115,000	261,750	376,750
2031	120,000	256,000	376,000
2032	135,000	250,000	385,000
2033	140,000	243,250	383,250
2034	155,000	236,250	391,250
2035	165,000	228,500	393,500
2036	180,000	220,250	400,250
2037	190,000	211,250	401,250
2038	205,000	201,750	406,750
2039	215,000	191,500	406,500
2040	235,000	180,750	415,750
2041	250,000	169,000	419,000
2042	270,000	156,500	426,500
2043	280,000	143,000	423,000
2044	305,000	129,000	434,000
2045	320,000	113,750	433,750
2046	345,000	97,750	442,750
2047	360,000	80,500	440,500
2048	390,000	62,500	452,500
2049	860,000	43,000	903,000
	<u>\$ 5,745,000</u>	<u>\$ 5,142,750</u>	<u>\$ 10,887,750</u>