

**CONESTOGA METROPOLITAN
DISTRICT NO. 2
Weld County, Colorado**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

CONESTOGA METROPOLITAN DISTRICT NO. 2


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INDEPENDENT AUDITORS' REPORT



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Independent Auditors' Report

Members of the Board of Directors
Conestoga Metropolitan District No. 2
Severance, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Conestoga Metropolitan District No. 2 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 Conestoga Metropolitan District No. 2, as of December 31, 2023 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Conestoga Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Conestoga Metropolitan District No. 2'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 Conestoga Metropolitan District No. 2'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 Conestoga Metropolitan District No. 2'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 Conestoga Metropolitan District No. 2's basic financial statements. The Schedule of Revenues, Expenditures and Changes 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 Changes 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.

Haynie & Company

Littleton, Colorado
September 27, 2024

BASIC FINANCIAL STATEMENTS

CONESTOGA METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2023

	Governmental Activities
ASSETS	
Cash and investments - restricted	\$ 81
Property taxes receivable	274,343
Receivable from county treasurer	770
Due from other entities	316
Total assets	275,510
 LIABILITIES	
Due to other entities	1,430
Accrued interest payable on bonds	616,872
Non-current liabilities:	
Due in more than one year	10,060,775
Total liabilities	10,679,077
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	274,343
Total deferred inflows of resources	274,343
 NET POSITION	
Restricted for:	
Emergency reserves	1,435
Unrestricted	(10,679,345)
Total net position (deficit)	\$ (10,677,910)

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

CONESTOGA METROPOLITAN DISTRICT NO. 2
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	
Primary government:				
Governmental activities:				
General government	\$ 47,805	\$ -	\$ -	\$ (47,805)
Interest and expenses on long-term debt	528,704	-	-	(528,704)
	\$ 576,509	\$ -	\$ -	\$ (576,509)
General revenues:				
Property taxes				251,797
Specific ownership taxes				10,750
Interest				7,147
IGA revenue				106,511
Total general revenues				<u>376,205</u>
Change in net position				<u>(200,304)</u>
Net position (deficit) - beginning -restated				<u>(10,477,606)</u>
Net position (deficit) - ending				<u>\$ (10,677,910)</u>

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

CONESTOGA METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - restricted	\$ -	\$ 81	\$ 81
Property taxes receivable	49,881	224,462	274,343
Receivable from county treasurer	140	630	770
Due from other entities	-	316	316
Total assets	50,021	225,489	275,510
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other entities	140	1,290	1,430
Total liabilities	140	1,290	1,430
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	49,881	224,462	274,343
Total deferred inflows of resources	49,881	224,462	274,343
FUND BALANCES			
Restricted for:			
Emergencies	1,435	-	1,435
Unassigned	(1,435)	(263)	(1,698)
Total fund balances	-	(263)	(263)
TOTAL LIABILITIES AND FUND BALANCES	\$ 50,021	\$ 225,489	

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	(9,750,000)
Bond premium	(310,775)
Accrued interest on bonds payable	(616,872)
Net position (deficit) of governmental activities	\$ (10,677,910)

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

CONESTOGA METROPOLITAN DISTRICT NO. 2
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>
REVENUES			
Property tax	\$ 45,826	\$ 205,971	\$ 251,797
Specific ownership tax	1,957	8,793	10,750
IGA revenue	-	106,511	106,511
Interest	22	7,125	7,147
Total Revenues	<u>47,805</u>	<u>328,400</u>	<u>376,205</u>
EXPENDITURES			
General			
County Treasurer Fees	688	3,091	3,779
Debt Service			
Paying agent fees	-	4,326	4,326
Bond interest	-	325,429	325,429
Total Expenditures	<u>688</u>	<u>332,846</u>	<u>333,534</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>47,117</u>	<u>(4,446)</u>	<u>42,671</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Conestoga Metropolitan District No. 1 - Operations	(47,117)	-	(47,117)
Total Other Financing Sources (Uses)	<u>(47,117)</u>	<u>-</u>	<u>(47,117)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(4,446)</u>	<u>(4,446)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>4,183</u>	<u>4,183</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (263)</u>	<u>\$ (263)</u>

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

CONESTOGA METROPOLITAN DISTRICT NO. 2
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	\$	(4,446)
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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		10,706
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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		<u>(206,564)</u>
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Change in net position (deficit) of governmental activities	\$	<u><u>(200,304)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

CONESTOGA METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>YTD</u> <u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Property tax	\$ 46,005	\$ 45,826	\$ (179)
Specific ownership tax	2,760	1,957	(803)
Interest and other	5,000	22	(4,978)
Total Revenues	<u>53,765</u>	<u>47,805</u>	<u>(5,960)</u>
EXPENDITURES			
County treasurer fees	690	688	2
Contingency/miscellaneous	5,000	-	5,000
Total Expenditures	<u>5,690</u>	<u>688</u>	<u>5,002</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>48,075</u>	<u>47,117</u>	<u>(958)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Conestoga Metropolitan District No. 1 - Operations	(48,075)	(47,117)	958
Total Other Financing Sources (Uses)	<u>(48,075)</u>	<u>(47,117)</u>	<u>958</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - END OF YEAR	<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

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

1. DEFINITION OF REPORTING ENTITY

Conestoga Metropolitan District No. 2 (the "District"), a quasi-municipal corporation, was organized in 2017, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the City of Ault, Weld County, Colorado. The District was established to be a financing district and to contain residential development, multi-family development and commercial development within its respective boundary.

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

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

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.

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.

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

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.

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. In 2023, the Debt Service Fund expenditures exceeded the amended budget amount by \$326. This may be a violation of state statutes.

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

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.

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.

Bond Issuance Costs — In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

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.

3. CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments-restricted	<u>\$81</u>
Total cash and investments	<u>\$81</u>

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

Investments - COLOTRUST	<u>\$81</u>
Total cash and investments	<u>\$81</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 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.

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

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	\$81

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust 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.

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. 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 AAAs/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

\$9,750,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A— On October 7, 2021, the District issued Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A for \$9,750,000. The proceeds will be used by the District to finance public improvements by related District.

The Bonds shall accrue interest at the rates of 5.250%. The Bonds are structured as cash flow bonds. As such, interest on the Bonds is payable on each interest payment date to the extent of any pledged revenues available. There are no scheduled payments of principal on the Bonds prior to their maturity date, but rather the Bonds are subject to mandatory redemption on each mandatory redemption date to the extent of moneys on deposit; if any, in the mandatory redemption account of the bond fund. Interest compounds on the interest date.

As of December 31, 2023, the District has accrued and unpaid interest related to the Series 2021A bonds in the amount of \$616,872.

Events of default are as follows:

- (a) The District refuses to impose the required mill levy or apply pledged revenue, as required.
- (b) The District defaults on the performance or observance or other applicable covenants, agreements or conditions, and fails to remedy after notice.
- (c) The District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the bond obligation.

Remedies for default include the potential for receivership scenario, a suit for judgment or some other suit or action available under law.

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

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
Bonds payable:					
Bonds payable 2021A	\$ 9,750,000	\$ -	\$ -	\$ 9,750,000	\$ -
Bond premium 2021A	321,481	-	(10,706)	310,775	-
	<u>\$ 10,071,481</u>	<u>\$ -</u>	<u>\$ (10,706)</u>	<u>\$ 10,060,775</u>	<u>\$ -</u>

Estimated future debt service payments are as follows:

	Series 2021A Limited Tax General Obligation Bonds		
	Principal	Interest	Total
2024	\$ -	\$ 493,878	\$ 493,878
2025	-	526,319	526,319
2026	-	585,848	585,848
2027	-	585,848	585,848
2028	-	617,825	617,825
2029-2033	303,000	2,992,970	3,295,970
2034-2038	1,442,000	2,346,647	3,788,647
2039-2043	2,444,000	1,869,737	4,313,737
2044-2048	3,881,000	1,087,014	4,968,014
2049-2050	1,680,000	125,423	1,805,423
	<u>\$ 9,750,000</u>	<u>\$ 11,231,509</u>	<u>\$ 20,981,509</u>

By election, the District is authorized to issue debt up to \$138,500,000; however, the District Service Plan limits the issuance of debt to \$9,750,000. All long-term debt is expected to be repaid by limited taxes imposed and collected for no longer than the maximum debt mill levy imposition term of residential properties and at a mill levy no higher than 50 mills. As of December 31, 2023, the District had no remaining authorized but unissued debt.

The District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. However, the amount and timing of any debt issuances, if any, are not determinable.

5. NET POSITION

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

Restricted assets include the net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

Restricted net position:

Emergency Reserves (see Note 7)	\$ 1,435
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The District's unrestricted net position as of December 31, 2023 is a deficit of \$(10,677,910).

6. RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2023. 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 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.

7. 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.

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.

In November 2017, the District voters approved revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending revenue raising or other limitation in 2017 and subsequent years.

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

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.

8. RELATED PARTY

Several of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. District management believes that all potential conflicts, if any, have been properly disclosed.

9. RESTATEMENT

The District has restated Net Position at December 31, 2022, to correctly reflect the accrued interest on the 2021 Bonds in the Debt Service Fund. The Restatement is noted below:

Adoption of New Accounting Policies

The GASB issued Statement 100, Accounting Changes and Error Corrections in June 2022. The Statement provides guidance for changes in the financial reporting entity, accounting principles and estimates used to prepare financial information. The new standard also prescribes the treatment for the correction of errors in previously issued financial statements. Although the Statement is effective for fiscal years beginning after June 15, 2023, the District elected early adoption as of January 1, 2023.

Correction of an Error

The District has restated the prior year financial statement to correctly record accrued interest payable. The District determined that accrued interest payable was incorrectly stated for the 2021 Bonds. This restatement impacts accrued interest payable and net position on the Statement of Net Position, and the Statement of Activities. The restatement is summarized as follows:

	<u>12/31/2022 as</u> <u>Previously Reported</u>	<u>Error Correction</u>	<u>12/31/2022 as</u> <u>Restated</u>
Government-Wide			
Governmental Activities			
Accrued Interest Payable	\$ 19,635	\$ 390,673	\$ 410,308
Net Position	<u>(10,086,933)</u>	<u>(390,673)</u>	<u>(10,477,606)</u>

CONESTOGA DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 (continued)

10. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 27, 2024, the date which the financial statements were issued.

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

SUPPLEMENTAL INFORMATION

CONESTOGA METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2023

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>YTD Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property tax	\$ 206,772	\$ 206,772	\$ 205,971	\$ (801)
Specific ownership tax	12,406	12,406	8,793	(3,613)
IGA revenue	108,314	108,314	106,511	(1,803)
Interest	-	7,125	7,125	-
Total Revenues	<u>327,492</u>	<u>334,617</u>	<u>328,400</u>	<u>(6,217)</u>
EXPENDITURES				
<u>General</u>				
County Treasurer Fees	3,102	3,102	3,091	11
<u>Debt Service</u>				
Trustee fees	4,000	4,000	4,326	(326)
Bond interest	320,390	325,429	325,429	-
Total Expenditures	<u>327,492</u>	<u>332,531</u>	<u>332,846</u>	<u>(315)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>2,086</u>	<u>(4,446)</u>	<u>(6,532)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>80</u>	<u>80</u>	<u>4,183</u>	<u>4,103</u>
FUND BALANCE - END OF YEAR	<u>\$ 80</u>	<u>\$ 2,166</u>	<u>\$ (263)</u>	<u>\$ (2,429)</u>

OTHER INFORMATION

CONESTOGA METROPOLITAN DISTRICT NO. 2
ESTIMATED SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2023

\$9,750,000 Series 2021A
Limited Tax General Obligation Bonds
Dated October 7, 2021
Interest Rate of 5.25%
Payable on June 1 and December 1
Principal Due on December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 493,878	\$ 493,878
2025	-	526,319	526,319
2026	-	585,848	585,848
2027	-	585,848	585,848
2028	-	617,825	617,825
2029	-	617,825	617,825
2030	-	651,653	651,653
2031	-	651,653	651,653
2032	121,000	566,316	687,316
2033	182,000	505,523	687,523
2034	229,000	495,968	724,968
2035	241,000	483,945	724,945
2036	294,000	471,293	765,293
2037	310,000	455,858	765,858
2038	368,000	439,583	807,583
2039	388,000	420,263	808,263
2040	452,000	399,893	851,893
2041	477,000	376,163	853,163
2042	549,000	351,120	900,120
2043	578,000	322,298	900,298
2044	658,000	291,953	949,953
2045	693,000	257,408	950,408
2046	783,000	221,025	1,004,025
2047	823,000	179,918	1,002,918
2048	924,000	136,710	1,060,710
2049	971,000	88,200	1,059,200
2050	709,000	37,223	746,223
	<u>\$ 9,750,000</u>	<u>\$ 11,231,509</u>	<u>\$ 20,981,509</u>