

TRAILSIDE METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado

Financial Statements and
Independent Auditors' Report

December 31, 2023





Table of Contents

	Page
INDEPENDENT AUDITORS' REPORT	I-II
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position	3
Governmental Fund Revenues, Expenditures, Changes in Fund Balances and Reconciliation to Statement of Activities	4
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances	5
Schedule of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—General Fund	6
Notes to Basic Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedule of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Capital Projects Fund.....	17



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

Independent Auditors' Report

To the Board of Directors
Trailside Metropolitan District No. 1
Larimer County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Trailside Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Trailside Metropolitan District No. 1, 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 Trailside Metropolitan District No. 1 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 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, including omissions, 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 Trailside Metropolitan District No. 1'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 Trailside Metropolitan District No. 1'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.

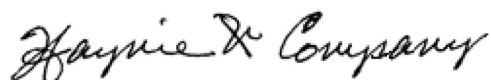
Required Supplementary Information

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 Trailside Metropolitan District No. 1's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
August 30, 2024

Basic Financial Statements

Trailside Metropolitan District No. 1
Statement of Net Position
December 31, 2023

Assets	Governmental Activities
Cash and investments	\$ 59,827
Accounts receivable	51,454
Service fees receivable	1,780
Prepaid expenses	25,672
Capital assets, not being depreciated	2,559,799
Capital assets, net of accumulated depreciation	923,476
Total Assets	<u>\$ 3,622,008</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 34,815
Deferred Revenue	32,622
Due in more than one year:	
Developer advances	<u>19,345,742</u>
Total Liabilities	<u>19,413,179</u>
Net Position	
Restricted for:	
Emergency reserve	20,994
Unrestricted	<u>(15,812,165)</u>
Total Net Position	<u>(15,791,171)</u>
Total Liabilities and Net Position	<u>\$ 3,622,008</u>

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

Trailside Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services and</u> <u>other fees</u>	<u>Operating Grants</u> <u>and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
General government	\$ 22,776,638	\$ 522,236	\$ -	\$ -	\$ (22,254,402)
Interest and related costs on long-term debt	<u>1,199,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,199,253)</u>
Total Governmental Activities	<u>\$ 23,975,892</u>	<u>\$ 522,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,453,656)</u>
Change in net position					\$ (23,453,656)
Net position - beginning of year (as restated)					<u>7,662,485</u>
Net position - end of year					<u>\$ (15,791,171)</u>

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

Trailside Metropolitan District No. 1
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2023

Assets	General Fund	Capital Projects Fund	Total Governmental Funds
	Fund	Fund	Funds
Cash and investments	\$ 59,827	\$ -	\$ 59,827
Accounts receivable	51,454	-	51,454
Service fees receivable	1,780	-	1,780
Prepaid expenses	25,672	-	25,672
Total assets	\$ 138,733	-	\$ 138,733
 Liabilities			
Accounts payable	\$ 34,815	-	\$ 34,815
Deferred revenue	32,622	-	32,622
Total liabilities	67,437	-	67,437
 Fund Balances			
Nonspendable			
Prepaid expenses	25,672	-	25,672
Restricted			
Emergency reserves	20,994	-	20,994
Unrestricted	24,630	-	24,630
Total fund balances	71,296	-	71,296
 Total Liabilities and Fund Balances	 \$ 138,733	 \$ -	 \$ 138,733

Total governmental fund balance per above \$ 71,296

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

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

Capital assets, net of accumulated depreciation 3,483,275

Long-term liabilities, including Developer Advances, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Developer Advances payable - operating (778,789)

Developer Advances payable - capital (18,566,953)

Net Position of Governmental Activities \$ (15,791,171)

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

Trailside Metropolitan District No. 1
Governmental Fund Revenues, Expenditures, Changes in Fund
Balances and Reconciliation to Statement of Activities
For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Service fees - District 2	\$ 37,223	\$ -	\$ 37,223
Service fees - District 3	36,722	-	36,722
Services fees - District 4	6,327	-	6,327
Service fees - District 5	7	-	7
Operations and maintenance fees	401,989	-	401,989
ARC Fees	10,600	-	10,600
Other income	12,118	-	12,118
Transfer fees	17,250	-	17,250
Total General Revenues	<u>522,236</u>	<u>-</u>	<u>522,236</u>
Expenditures			
Accounting	42,560	-	42,560
Audit	14,700	-	14,700
Elections & Constituent Communciations	17,998	-	17,998
District management	56,350	-	56,350
Insurance	21,060	-	21,060
Facilities management	65,415	-	65,415
Legal	27,546	-	27,546
Office, dues and other	5,651	-	5,651
Title	13,825	-	13,825
Covenant enforcement	3,640	-	3,640
ARC review	14,940	-	14,940
Maintenance, landscaping & supplies	416,119	-	416,119
Capital outlay	-	12,884,846	12,884,846
Total Expenditures	<u>699,804</u>	<u>12,884,846</u>	<u>13,584,650</u>
Excess of revenues over (under) expenditures	(177,568)	(12,884,846)	(13,062,414)
Other financing sources			
Developer advances	206,146	12,884,846	13,090,992
Total other financing sources	<u>206,146</u>	<u>12,884,846</u>	<u>13,090,992</u>
Net change in fund balances	<u>28,578</u>	<u>-</u>	<u>28,578</u>
Fund balances:			
Beginning of the year (as restated)	<u>42,718</u>	<u>-</u>	<u>42,718</u>
End of the year	<u>\$ 71,296</u>	<u>\$ -</u>	<u>\$ 71,296</u>

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

Trailside Metropolitan District No. 1
Reconciliation of the Statements of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Year Ended December 31, 2023

Net Change in Fund Balances - Governmental Funds \$ 28,578

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

Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure; however, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets to other Districts is reported as an expense.

Capital outlay - current year	12,884,846
Assets conveyance	(22,053,969)
Depreciation expense	(22,865)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advance - principal - operations	(206,146)
Developer advance - principal - capital	(12,884,846)

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

Accrued interest on developer advances - change in liability	(1,199,253)
--	-------------

Change in Net Position of Governmental Activities \$ (23,453,656)

Trailside Metropolitan District No. 1
Schedule of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Service Fees - District 2	\$ 36,698	\$ 37,223	\$ 525
Service Fees - District 3	36,297	36,722	425
Service Fees - District 4	6,244	6,327	83
Service Fees - District 5	-	7	7
Interest and other income	-	12,118	12,118
Operations and maintenance fees	305,520	401,989	96,469
ARC Fees	12,000	10,600	(1,400)
Transfer fees	<u>15,000</u>	<u>17,250</u>	<u>2,250</u>
Total Revenues	411,759	522,236	110,477
Expenditures			
Accounting	40,000	42,560	(2,560)
Audit	14,300	14,700	(400)
District management	62,300	56,350	5,950
Engineering	5,000	-	5,000
Facilities management	65,520	65,415	105
Insurance	18,238	21,060	(2,822)
Legal	20,000	27,546	(7,546)
Election & Constituent Communications	12,000	17,998	(5,998)
Office, dues and other	6,950	5,651	1,299
Title	7,000	13,825	(6,825)
ARC review	11,200	14,940	(3,740)
Covenant enforcement	3,360	3,640	(280)
Landscaping, operations and maintenance	430,110	416,119	13,991
Contingency	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>705,978</u>	<u>699,804</u>	<u>6,174</u>
Other financing sources (uses)			
Developer advances	<u>300,000</u>	<u>206,146</u>	<u>(93,854)</u>
Total other financing sources (uses)	<u>300,000</u>	<u>206,146</u>	<u>(93,854)</u>
Excess of revenues over (under) expenditures	<u>5,781</u>	<u>28,578</u>	<u>22,797</u>
Fund balance:			
Beginning of the year (as restated)	<u>16,293</u>	<u>42,718</u>	<u>26,425</u>
End of the year	<u>\$ 22,074</u>	<u>\$ 71,296</u>	<u>\$ 49,222</u>

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

Trailside Metropolitan District No. 1

Notes to Financial Statements

December 31, 2023

1. Definition of Reporting Entity

Trailside Metropolitan District No. 1 (the District) (formerly known as Rendezvous Metropolitan District No. 1), was organized pursuant to an Order and Decree issued by the Larimer County District Court on April 17, 2018, and recorded in the Larimer County real property records on June 15, 2018. Formation of the District was preceded by the approval thereof by the Town Council of Timnath, Colorado of a Consolidated Service Plan for Trailside Metropolitan District Nos. 1-5 (formerly known as Rendezvous Metropolitan District Nos. 1-5) and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the Town of Timnath on March 27, 2018. The District's service area is located entirely within the Town in Larimer County, Colorado. The District was organized to provide planning, design, acquisition, construction installation, relocation, redevelopment, and financing of the public improvements needed for the project.

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 described as follows:

Government-wide and Fund Financial Statements

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

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

Trailside Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2023

2. Summary of Significant Accounting Policies (continued)

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District'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 presented on the modified accrual basis of accounting unless otherwise indicated.

Pooled Cash and Investments

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

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications 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:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 8).

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

3. Cash and Investments

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

Statement of net position:

Cash and investments—unrestricted	<u>\$ 59,827</u>
Total cash and investments	<u>\$ 59,827</u>

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

Deposits with financial institutions	<u>\$ 59,827</u>
Total cash and investments	<u>\$ 59,827</u>

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

As of December 31, 2023, the District's cash deposits had a carrying balance and bank balance of \$59,827, which was fully FDIC insured.

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

4. Capital Assets

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

	Balance December 31, 2022	Additions	Retirements / Conveyances	Balance December 31, 2023
Capital assets, not being depreciated:				
Capital outlay: Capital Acceptance	\$ 15,656	\$ -	\$ (15,656)	\$ -
Capital outlay: Capital Engineer	23,832	-	(23,832)	-
Concrete & paving	-	1,600,370	-	1,600,370
Seeding & sod	-	210,996	-	210,996
Tree shrubs	-	517,219	-	517,219
Hardscapes	-	231,214	-	231,214
CIP - Dedicated to Other Governments	<u>12,635,776</u>	<u>12,924,334</u>	<u>(25,560,110)</u>	<u>-</u>
Total Capital assets, not being depreciated	<u>\$ 12,675,264</u>	<u>\$ 15,484,133</u>	<u>\$ (25,599,598)</u>	<u>\$ 2,559,799</u>
Capital assets, being depreciated:				
Water and sewer system	\$ -	\$ 909,889	\$ -	\$ 909,889
Parks	-	<u>36,452</u>	-	<u>36,452</u>
Total Capital assets, being depreciated	-	946,341	-	946,341
Less accumulated depreciation	-	<u>(22,865)</u>	-	<u>(22,865)</u>
Total Capital assets, being depreciated, net	-	<u>923,476</u>	-	<u>923,476</u>
Total Capital assets	<u>\$ 12,675,264</u>	<u>\$ 16,407,609</u>	<u>\$ (25,599,598)</u>	<u>\$ 3,483,275</u>

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

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

5. Long-Term Obligations

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

	Balance December 31,			Balance December 31,		Due Within
	2022	Additions	Retirements	2023	One Year	
Developer Advances						
Operating	\$ 419,682	\$ 262,148	\$ -	\$ 681,830	\$ -	-
Capital	4,328,020	12,895,460	-	17,223,480	-	-
Accrued Interest on						
Developer Advances						
Operating	49,643	47,319	-	96,962	-	-
Capital	189,211	1,154,259	-	1,343,470	-	-
Total	<u>\$ 4,986,556</u>	<u>\$ 14,359,186</u>	<u>\$ -</u>	<u>\$ 19,345,742</u>	<u>\$ -</u>	<u>-</u>

Developer Advances Promissory Note

The Districts and the Developer entered into a Funding and Reimbursement Agreement for Developer advances of administrative, operations and maintenance costs on June 27, 2018. Per this agreement, the Developer may advance to the Districts, for the Districts' benefit, up to \$500,000. The promissory note bears 2% simple interest plus the current Federal Reserve Board Prime Rate and is annually renewable in one-year terms. The 2nd Amended and Restated Funding and Reimbursement Agreement was signed October 22, 2019 and is renewed annually as long as there is an outstanding balance. The amount due on the promissory note at December 31, 2023, is \$19,345,742 including \$1,440,432 accrued interest on advances.

The Districts will reimburse the Developer through revenues collected from fees, rates, tolls charges and revenues resulting from the imposition of ad valorem taxes, net of any current operating and maintenance costs of the Districts. Repayment is subordinate to the issuance of any bonds and the provisions of any bond resolution. Repayment shall not be higher than the Service Plan mill levy cap.

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

5. Long-Term Obligations (continued)

Authorized Debt

The primary purpose of the Districts is to provide for and finance the public improvements associated with development and regional needs. Pursuant to the Service Plan agreement with The Town of Timnath, the Districts are authorized to finance public improvements that can be funded from debt to be repaid from fees and from tax revenues. The maximum general obligation indebtedness for all of the Financing Districts combined is not to exceed \$49,829,000.

6. Net Position

Restricted net position 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 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 8)	\$ <u>20,994</u>
---------------------------------	------------------

Unrestricted net position as of December 31, 2023, was \$(15,812,165).

7. 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.

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

8. Tax, Spending and Debt Limitations

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

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

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

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

9. Related Parties

All 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.

10. Restatement

The beginning fund balance of the General Fund has been restated on the fund basis financial statements to record a prior period adjustment to correct utility expenditures from prior years. A reconciliation of the prior period ending fund balance to the current year beginning fund balance for the General Fund is as follows:

Beginning fund balance	\$ 23,723
Adjustment to correct utility expenditures	18,995
Beginning fund balance, as restated	<u><u>\$ 42,718</u></u>

Trailside Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2023

10. Restatement (continued)

The beginning net position has been restated on the government-wide Statement of Activities to record a prior period adjustment to include revenue from the developer from the prior year, and the prior period adjustment to correct utility expenditures from prior years recorded in the general fund. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

Net position - beginning of year	\$ 7,628,704
Adjustment to correct utility expenditures	18,995
Adjustment to record revenue from the developer	<u>14,786</u>
Net position - end of year	<u><u>\$ 7,662,485</u></u>

Supplementary Information

Trailside Metropolitan District No. 1
Schedule of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Proceeds from Capital Note	\$ 6,625,000	\$ 12,859,846	\$ 12,884,846	\$ 25,000
Developer Advances	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total revenues	<u>6,650,000</u>	<u>12,884,846</u>	<u>12,884,846</u>	<u>-</u>
Expenditures				
Capital Acceptance	<u>6,650,000</u>	<u>12,884,846</u>	<u>12,884,846</u>	<u>-</u>
Total expenditures	<u>6,650,000</u>	<u>12,884,846</u>	<u>12,884,846</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	-	-	-
Fund balance:				
Beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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