

RED BARN METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Red Barn Metropolitan District
Weld County, CO

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

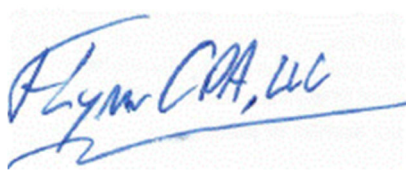
Other Matters

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as noted in the table of contents are presented for purposes of additional analysis and are 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is stylized and includes a horizontal line underneath the text.

Flynn CPA, LLC

Castle Pines, CO
October 7, 2024

RED BARN METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash and cash equivalents	\$ 32,593	\$ -	\$ -	\$ 32,593	\$ -	\$ 32,593
Cash and cash equivalents - restricted	3,220	-	8,363	11,583	-	11,583
Taxes due from County	61	587	-	648	-	648
Accounts receivable - developer	3,289	-	-	3,289	(3,289)	-
Prepaid expenses	2,115	-	-	2,115	-	2,115
Property taxes receivable	2,450	9,422	-	11,872	-	11,872
Capital assets not being depreciated	-	-	-	-	12,726,850	12,726,850
Total Assets	<u>\$ 43,728</u>	<u>\$ 10,009</u>	<u>\$ 8,363</u>	<u>\$ 62,100</u>	<u>12,723,561</u>	<u>12,785,661</u>
LIABILITIES						
Accounts payable	\$ 35,600	\$ -	\$ -	\$ 35,600	-	35,600
Accounts payable - town	338	-	-	338	-	338
Accrued interest on bonds	-	-	-	-	43,872	43,872
Long-term liabilities:						
Due in more than one year	-	-	-	-	14,043,020	14,043,020
Total Liabilities	<u>35,938</u>	<u>-</u>	<u>-</u>	<u>35,938</u>	<u>14,086,892</u>	<u>14,122,830</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>2,450</u>	<u>9,422</u>	<u>-</u>	<u>11,872</u>	<u>-</u>	<u>11,872</u>
Total Deferred Inflows of Resources	<u>2,450</u>	<u>9,422</u>	<u>-</u>	<u>11,872</u>	<u>-</u>	<u>11,872</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Prepays	2,115	-	-	2,115	(2,115)	-
Restricted:						
Emergencies	3,220	-	-	3,220	(3,220)	-
Debt service	-	587	-	587	(587)	-
Capital	-	-	8,363	8,363	(8,363)	-
Unassigned	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>(5)</u>	<u>-</u>
Total Fund Balances	<u>5,340</u>	<u>587</u>	<u>8,363</u>	<u>14,290</u>	<u>(14,290)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 43,728</u>	<u>\$ 10,009</u>	<u>\$ 8,363</u>	<u>\$ 62,100</u>		
Net Position:						
Restricted for:						
Emergencies					3,220	3,220
Debt service					587	587
Capital projects					8,363	8,363
Unrestricted					<u>(1,361,211)</u>	<u>(1,361,211)</u>
Total Net Position (Deficit)					<u>\$ (1,349,041)</u>	<u>\$ (1,349,041)</u>

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

RED BARN METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES						
<u>Operating:</u>						
Accounting and audit	\$ 10,379	\$ -	\$ -	\$ 10,379	\$ -	\$ 10,379
Legal	50,832	-	-	50,832	-	50,832
District management	17,239	-	-	17,239	-	17,239
Elections	971	-	-	971	-	971
Insurance	2,414	-	-	2,414	-	2,414
Miscellaneous	486	6,000	3,525	10,011	-	10,011
Treasurer fees	19	78	-	97	-	97
Bond interest	-	-	-	-	43,872	43,872
Engineering	-	-	7,801	7,801	-	7,801
Capital expenditures	-	-	12,726,850	12,726,850	(12,726,850)	-
Cost of issuance	-	-	189,364	189,364	-	189,364
Repay developer	-	-	7,109,004	7,109,004	(7,109,004)	-
Interest on developer advance	-	-	-	-	841,066	841,066
Total Expenditures	<u>82,340</u>	<u>6,078</u>	<u>20,036,544</u>	<u>20,124,962</u>	<u>(18,950,916)</u>	<u>1,174,046</u>
PROGRAM REVENUES						
Homeowner assessments	<u>565</u>	<u>-</u>	<u>-</u>	<u>565</u>	<u>-</u>	<u>565</u>
Total Program Revenues	<u>565</u>	<u>-</u>	<u>-</u>	<u>565</u>	<u>-</u>	<u>565</u>
Net Program Income (Expense)	(81,775)	(6,078)	(20,036,544)	(20,124,397)	18,950,916	(1,173,481)
GENERAL REVENUES						
Property taxes	1,349	5,816	-	7,165	-	7,165
Specific ownership taxes	57	221	-	278	-	278
Interest income	<u>126</u>	<u>-</u>	<u>80</u>	<u>206</u>	<u>-</u>	<u>206</u>
Total General Revenues	<u>1,532</u>	<u>6,037</u>	<u>80</u>	<u>7,649</u>	<u>-</u>	<u>7,649</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(80,243)	(41)	(20,036,464)	(20,116,748)	18,950,916	(1,165,832)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	7,000,000	7,000,000	(7,000,000)	-
Developer advances	<u>85,181</u>	<u>-</u>	<u>13,044,827</u>	<u>13,130,008</u>	<u>(13,130,008)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>85,181</u>	<u>-</u>	<u>20,044,827</u>	<u>20,130,008</u>	<u>(20,130,008)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	4,938	(41)	8,363	13,260	(13,260)	
CHANGES IN NET POSITION					(1,165,832)	(1,165,832)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<u>402</u>	<u>628</u>	<u>-</u>	<u>1,030</u>	<u>(184,239)</u>	<u>(183,209)</u>
END OF YEAR	<u>\$ 5,340</u>	<u>\$ 587</u>	<u>\$ 8,363</u>	<u>\$ 14,290</u>	<u>\$ (1,363,331)</u>	<u>\$ (1,349,041)</u>

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

RED BARN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 1,349	\$ 1,349	\$ 1,349	\$ -
Specific ownership taxes	81	60	57	(3)
Homeowner assessments	-	-	565	565
Interest income	-	713	126	(587)
Total Revenues	<u>1,430</u>	<u>2,122</u>	<u>2,097</u>	<u>(25)</u>
EXPENDITURES				
Accounting and audit	7,500	8,500	10,379	(1,879)
Legal	30,000	55,000	50,832	4,168
District management	4,000	12,000	17,239	(5,239)
Elections	5,000	1,000	971	29
Insurance	3,000	2,500	2,414	86
Miscellaneous	330	55	486	(431)
Town mill levy	-	326	-	326
Treasurer fees	16	16	19	(3)
Contingency	89	10,603	-	10,603
Emergency Reserve	1,495	-	-	-
Total Expenditures	<u>51,430</u>	<u>90,000</u>	<u>82,340</u>	<u>7,660</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	(87,878)	(80,243)	7,635
OTHER FINANCING SOURCES				
Developer advances	<u>50,000</u>	<u>87,434</u>	<u>85,181</u>	<u>(2,253)</u>
Total Other Financing Sources	<u>50,000</u>	<u>87,434</u>	<u>85,181</u>	<u>(2,253)</u>
NET CHANGE IN FUND BALANCE	-	(444)	4,938	5,382
FUND BALANCE:				
BEGINNING OF YEAR	-	444	402	(42)
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,340</u>	<u>\$ 5,340</u>

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on November 21, 2019, as a quasi-municipal corporation and political subdivision established under the State of Colorado Special District Act and operates pursuant to an Amended and Restated Service Plan approved by the Town of Mead (the “Town”) on November 14, 2022 (“Service Plan”). The District was established for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of public improvements for the benefit of the anticipated inhabitants and taxpayers of the District. The District's primary source of revenues is developer advances. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

The District amended its total appropriations in the General Fund the Debt Service Fund and the Capital Projects Fund primarily due to increased capital improvement expenditures.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

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

Deposits and Investments

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method.

Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$3,220 of the General Fund balance has been reserved in compliance with this requirement.

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The restricted fund balance in the Capital Projects Fund is restricted for the payment of the costs for capital improvements within the District.

The restricted fund balance in the Debt Service Fund is restricted fund for the payment of principal and interest on the 2023 Bonds. See Note 4

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Net Position

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

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

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

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and cash equivalents	\$ 32,593
Cash and cash equivalents - restricted	<u>11,583</u>
Total	\$ <u>44,176</u>

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

Deposits with financial institutions	\$ 29,883
Investments - COLOTRUST	<u>14,293</u>
	\$ <u>44,176</u>

Deposits

Custodial Credit Risk

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

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

Investment Valuation

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

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2023, the District had \$14,293 invested in COLOTRUST Plus+.

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$12,726,850	\$ -	\$ 12,726,850
Total capital assets not being depreciated:	-	12,726,850	-	12,726,850
Government type assets, net	<u>\$ -</u>	<u>\$12,726,850</u>	<u>\$ -</u>	<u>\$ 12,726,850</u>

Note 4: Long-Term Debt

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

\$7,000,000 General Obligation Limited Tax Bonds, Series 2023

On November 30, 2023 the District issued \$7,000,000 of General Obligation Limited Tax Bonds, Series 2023 ("2023 Bonds") for the purpose of paying or reimbursing Project Costs. The 2023 Bonds bear interest at the rate of 7.5%, payable annually on December 1, commencing on December 1, 2024 to the extent Pledged Revenue is available. The 2023 Bonds mature on December 1, 2037. The 2023 Bonds terminate on December 2, 2040, and no payments will be due on the 2023 Bonds following such termination date, regardless of the amount of principal and interest paid prior to that date. The 2023 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, at any time upon payment of par and accrued interest, with no redemption premium. The 2023 Bonds are "cash flow" bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Pledged Revenue for payment. In the event any amounts due and owing on 2023 Bonds remain outstanding on December 2, 2040, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The 2023 Bonds are secured by the Required Mill Levy, the Pledged Fees, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available moneys as determined by the District as defined in the Indenture of Trust.

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Events of Default as defined in the 2023 Indenture of Trust dated November 30, 2023, (the "Indenture") include 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the 2023 Bonds. Failure to pay the principal or interest on the 2023 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the 2023 Bonds is not an available remedy for an Event of Default.

Because of the uncertainty of the timing of the principal and interest payment on the 2023 Bonds, no schedule of principal and interest payments is presented.

Facilities Acquisition Agreement

The District and Century Land Holdings, LLC, a Colorado limited liability company ("CLH") and Century Communities Investments, LLC, a Colorado limited liability company ("CCI"), and 13-32 Development LLC a Colorado limited liability company ("13-32") entered into a Facilities Acquisition Agreement dated November 30, 2023, (the "FAA"). Pursuant to the FAA, CLH agrees to design, construct and complete certain public improvements and the District agrees to acquire the public improvements and reimburse CLH and CLI for the costs associated with the construction of the public improvements up to a maximum amount of \$21,000,000 along with interest at 8% per annum, subject to the terms in the FAA. The District also acknowledges the reimbursement for organization expenses. On March 4, 2021, the District executed and delivered to 13-32 a Promissory Note in the original principal amount of \$44,864.38 (the "Note"), in accordance with a Resolution Authorizing the Issuance of a Promissory Note dated March 4, 2021, authorizing the issuance of such Note (the "Note Resolution"). Pursuant to the Note Resolution, the District executed and delivered such Note for purposes of reimbursing 13-32 for certain advances made by 13-32 for Organization Expenses. 13-32 and the District agree that, upon payment to 13-32 in the amount of \$55,787.93 by or on behalf of the District (such date of receipt being the "Termination Date"), the terms of the Note and Note Resolution shall have been fully paid, performed and that such agreement shall be terminated and discharged. 13-32 received payment in full, inclusive of accrued interest, on the Note on or about November 17, 2023, and the Note and Note Resolution have been terminated and are of no further force of effect. The FAA does not constitute a debt of the District, but is an annual appropriation intended to be repaid through a future bond issuance. The FAA further provides that if the District has not reimbursed the Developer within 20 years after the initial date of imposition of an ad valorem property tax to pay any debt this obligation with expire.

As of December 31, 2023, principal and interest due under this agreement was \$6,826,756 and \$46,384 respectively.

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Operations Funding Agreement

The District and CLH, entered into an Operations Funding Agreement dated November 30, 2023, (the "OFA"), effective on January 1, 2020. The District anticipates a shortfall in revenues available for operations, maintenance and administrative expenses to be incurred for fiscal years 2021, 2022, and 2023 in an aggregate amount of \$128,500 (the "Shortfall Amount"). The OFA was amended by the First Amendment to Operation Funding Agreement dated December 7, 2023, increasing the total Shortfall Amount to \$210,000 and extends the funding period through 2024. CLH agrees to advance funds necessary to fund, or shall directly pay, the District's operations, maintenance and administrative expenses on a periodic basis as needed for fiscal years 2021-2024 up to the Shortfall Amount. The District shall, from time to time, provide written notice to CLH that an advance of all or part of the Shortfall Amount is required. CLH shall make an advance of funds to the District within 15 days of receipt from the District of any such written notice that an advance of funds is required ("Developer Advance"). The District intends to repay the amounts CLH has advanced or directly paid pursuant to the OFA to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties and charges, and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations, maintenance and administrative expenses, which repayment is subject to annual budget and appropriation. Simple interest shall accrue on each Developer Advance from the date of deposit into the District's account or from the date of direct payment by CLH, until paid, at the rate of 8% per annum. The Developer Advances shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement shall be at all times subject to annual appropriation by the District in its absolute discretion. As of December 31, 2023, principal and interest due under this agreement was \$159,928 and \$9,952 respectively. The obligation to repay CLH will terminate on December 31, 2061.

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

	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023	Current Portion
<u>General Obligation Bonds:</u>					
Series 2023	\$ -	\$ 7,000,000	\$ -	\$ 7,000,000	\$ -
	-	7,000,000	-	7,000,000	-
<u>Other:</u>					
Developer advances	90,813	-	90,813	-	-
Interest on Developer advance	13,012	5,179	18,191	-	-
Developer advances -operations	37,494	122,434	-	159,928	-
Interest on Developer advance	2,378	7,574	-	9,952	-
Developer advance - Capital	-	13,044,827	6,218,071	6,826,756	-
Interest on Developer advance	-	828,313	781,929	46,384	-
	143,697	13,873,140	7,000,000	7,043,020	-
	\$ 143,697	\$ 20,873,140	\$ 7,000,000	\$ 14,043,020	\$ -

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Debt Authorization

On November 5, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$120,000,000. After the issuance of the 2023 Bonds, the remaining authorization is \$113,000,000. Per the District's Service Plan, the District cannot issue debt in excess of \$21,000,000. There is \$14,000,000 authorization remaining under the Service Plan as of December 31, 2023.

Note 5: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Town IGA

The District and the Town entered into an Intergovernmental Agreement dated December 9, 2019 as amended by that First Amendment dated August 8, 2022 and that Second Amendment dated November 29, 2022, (the "Town IGA"), which provides contractual enforcement rights to the town with respect to certain restrictions and limitations set forth in the Service Plan regarding construction, ownership, operations and maintenance of improvements. The Town IGA requires the District to impose an additional mill levy of 3 mills (subject to adjustment) for the purpose of defraying the Town's ongoing operations and maintenance expenses associated with the Town's capital improvements and infrastructure within the boundary of the District ("Town O&M Mill Levy"). The District's obligation to impose and collect the revenues from the Town O&M Mill Levy shall begin when the District first imposes an operating mill levy. The revenues received from the Town O&M Mill Levy shall be remitted to the Town within 30 days of receipt by the District. The revenues received by the Town from the Town O&M Mill Levy may be applied to any operation and maintenance expenses incurred or associated with any Town capital improvements and infrastructure that the District could otherwise finance and shall not be used for the maintenance of improvements that the District is not otherwise legally authorized to provide. The failure of the District to levy, collect and remit the Town O&M Mill Levy shall constitute a material departure from the Service Plan. The Town may enforce this provision of the Service Plan pursuant to applicable state statutes and exercise all such other available legal and equitable remedies in the event of such material modification by the District.

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 7: Tax, Spending and Debt Limitations

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

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

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

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

On November 5, 2019, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

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

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

RED BARN METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

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

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

SUPPLEMENTAL INFORMATION

RED BARN METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 5,188	\$ 5,188	\$ 5,816	\$ 628
Specific ownership taxes	<u>415</u>	<u>415</u>	<u>221</u>	<u>(194)</u>
Total Revenues	<u>5,603</u>	<u>5,603</u>	<u>6,037</u>	<u>434</u>
EXPENDITURES				
Miscellaneous	-	6,000	6,000	-
Treasurer fees	<u>78</u>	<u>78</u>	<u>78</u>	<u>-</u>
Total Expenditures	<u>78</u>	<u>6,078</u>	<u>6,078</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	5,525	(475)	(41)	434
FUND BALANCE:				
BEGINNING OF YEAR	<u>620</u>	<u>620</u>	<u>628</u>	<u>8</u>
END OF YEAR	<u>\$ 6,145</u>	<u>\$ 145</u>	<u>\$ 587</u>	<u>\$ 442</u>

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

RED BARN METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ -	\$ -	\$ 80	\$ 80
Total Revenues	-	-	80	80
EXPENDITURES				
Capital expenditures	17,750,000	12,726,850	12,726,850	-
Cost of issuance	-	190,000	189,364	636
Miscellaneous	-	3,525	3,525	-
Engineering	-	7,800	7,801	(1)
Repay developer	-	7,110,000	7,109,004	996
Total Expenditures	17,750,000	20,038,175	20,036,544	1,631
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,750,000)	(20,038,175)	(20,036,464)	1,711
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	7,000,000	7,000,000	-
Developer advances	17,750,000	13,045,000	13,044,827	(173)
Total Other Financing Sources (Uses)	17,750,000	20,045,000	20,044,827	(173)
NET CHANGE IN FUND BALANCE	-	6,825	8,363	1,538
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	\$ -	\$ 6,825	\$ 8,363	\$ 1,538

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

RED BARN METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED December 31, 2023

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2023	\$ 103,760	13.000	50.000	63.000	\$ 6,537	\$ 7,165	109.61%
Estimated for year ending December 31, 2024	\$ 188,440	13.000	50.000	63.000	\$ 11,872		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.