



Colorado New Energy Improvement District

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

**1600 Broadway, Suite 1960
Denver, Co 80202**



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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colorado New Energy Improvement District
Denver, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund the Colorado New Energy Improvement District (the District), Denver, Colorado 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 financial position of the governmental activities and each major fund of Colorado New Energy Improvement District, Denver, Colorado, as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Required Supplementary 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 opinion on the basic financial statements are not affected by this missing information.

Hiratsuka & Associates, LLP

June 19, 2024
Wheat Ridge, Colorado

Colorado New Energy Improvement District

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

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS				
Cash	\$ 403,694	\$ 403,694	\$ -	\$ 403,694
Cash - restricted	27,217	27,217	-	27,217
Receivable	75,000	75,000	-	75,000
Grant Reimbursement Receivable	157,372	157,372	-	157,372
Prepaid Expenses	<u>4,904</u>	<u>4,904</u>	<u>-</u>	<u>4,904</u>
Total Assets	<u>\$ 668,187</u>	<u>\$ 668,187</u>	<u>-</u>	<u>668,187</u>
LIABILITIES				
Accounts Payable	\$ 64,690	\$ 64,690	-	64,690
Accrued Liabilities	90,510	90,510	-	90,510
Other Current Liabilites	22,537	22,537	-	22,537
Deferred Revenue	<u>4,904</u>	<u>4,904</u>	<u>-</u>	<u>4,904</u>
Total Liabilities	<u>182,641</u>	<u>182,641</u>	<u>-</u>	<u>182,641</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred grant revenues	<u>85,450</u>	<u>85,450</u>	<u>-</u>	<u>85,450</u>
Total Deferred Inflows of Resources	<u>85,450</u>	<u>85,450</u>	<u>-</u>	<u>85,450</u>
FUND BALANCES/NET POSITION				
Fund Balances:				
Nonspendable:				
Prepays	4,904	4,904	(4,904)	-
Restricted:				
Emergencies	27,217	27,217	(27,217)	-
Unassigned	<u>367,975</u>	<u>367,975</u>	<u>(367,975)</u>	<u>-</u>
Total Fund Balances	<u>400,096</u>	<u>400,096</u>	<u>(400,096)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 668,187</u>	<u>\$ 668,187</u>		
Restricted for:				
Emergencies			27,217	27,217
Unrestricted			<u>372,879</u>	<u>372,879</u>
Total Net Position			<u>\$ 400,096</u>	<u>\$ 400,096</u>

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

Colorado New Energy Improvement 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>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES				
Financial Management	\$ 41,071	\$ 41,071	\$ -	\$ 41,071
Accounting and Financial Audit	8,767	8,767	-	8,767
Accounting and Performance Audit	119,438	119,438	-	119,438
Legal	89,633	89,633	-	89,633
Insurance	4,764	4,764	-	4,764
Membership Dues and Subscriptions	1,650	1,650	-	1,650
Office Expenses	1,484	1,484	-	1,484
Project Administration Fee - SRS	192,528	192,528	-	192,528
Special Assessment Payment to Capital Provider	8,824,546	8,824,546	-	8,824,546
Special Assessment - County Treasurer Fee	<u>89,925</u>	<u>89,925</u>	<u>-</u>	<u>89,925</u>
Total Expenditures	<u>9,373,806</u>	<u>9,373,806</u>	<u>-</u>	<u>9,373,806</u>
PROGRAM REVENUES				
Program Administration Fee	243,257	243,257	-	243,257
Release of Lien Fee Revenue	3,000	3,000	-	3,000
Recording Fee Revenue	540	540	-	540
Special Assessment Revenue	8,914,471	8,914,471	-	8,914,471
Special Assessment Revenue - Annual Servicing Fee	8,801	8,801	-	8,801
State Grant	179,389	179,389	-	179,389
Interest Income	<u>25,666</u>	<u>25,666</u>	<u>-</u>	<u>25,666</u>
Total Program Revenues	<u>9,375,124</u>	<u>9,375,124</u>	<u>-</u>	<u>9,375,124</u>
Net Program Income (Expenses)	1,318	1,318	-	1,318
NET CHANGES IN FUND BALANCES	1,318	1,318	(1,318)	
CHANGE IN NET POSITION			1,318	1,318
FUND BALANCES/NET POSITION:				
BEGINNING OF YEAR	<u>398,778</u>	<u>398,778</u>	<u>-</u>	<u>398,778</u>
END OF YEAR	<u>\$ 400,096</u>	<u>\$ 400,096</u>	<u>\$ -</u>	<u>\$ 400,096</u>

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

Colorado New Energy Improvement District

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

For the Year Ended December 31, 2023

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Program administration fee	\$ 732,880	\$ 233,757	\$ (499,123)
Project deposits	30,000	9,000	(21,000)
Project hearing continuances	4,500	500	(4,000)
Property evaluation	2,000	-	(2,000)
Recording fee revenue	1,000	540	(460)
Release of lien fee revenue	36,000	3,000	(33,000)
Special counsel revenue	35,000	-	(35,000)
Special assessment revenue	9,644,363	8,914,471	(729,892)
Special assessment revenue - annual servicing fee	5,200	8,801	3,601
State grant	204,300	179,389	(24,911)
Interest income	6,000	25,666	19,666
	<u>10,701,243</u>	<u>9,375,124</u>	<u>(1,326,119)</u>
EXPENDITURES			
Financial management	45,000	41,071	3,929
Accounting and financial audit	5,700	8,767	(3,067)
Audit - Performance	-	119,438	(119,438)
Legal	140,000	89,633	50,367
Insurance	5,500	4,764	736
Membership dues and subscriptions	1,800	1,650	150
Office expenses	2,500	1,471	1,029
Board travel expense	500	13	487
Property Evaluation Fees	3,000	-	3,000
Sponsorship fees	2,500	-	2,500
Filing fees	800	-	800
Project admin Fee - SRS	620,110	192,528	427,582
Special assessment payment to capital provider	9,547,854	8,824,546	723,309
Special assessment - county treasurer fee	96,509	89,925	6,583
Special Counsel Legal Fees	35,000	-	35,000
Contingency	30,000	-	30,000
	<u>10,536,773</u>	<u>9,373,806</u>	<u>1,162,967</u>
NET CHANGE IN FUND BALANCE	164,470	1,318	(163,152)
FUND BALANCE:			
BEGINNING OF YEAR	<u>388,987</u>	<u>398,778</u>	<u>-</u>
END OF YEAR	<u>\$ 553,457</u>	<u>\$ 400,096</u>	<u>\$ (163,152)</u>

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



Colorado New Energy Improvement District

Notes to Financial Statements

December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Colorado New Energy Improvement District (“District”), located in the State of Colorado, 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 created by House Bill 10-1328 (the New Energy Jobs Creation Act of 2010) as a statewide special statutory district created to establish, develop, finance, implement, and administer a new energy improvement program that encourages property owners to invest in energy efficiency or renewable energy improvements to their property (“Program” or “C-PACE Program”). According to statute, the District constitutes a public instrumentality, and the exercise of its statutory powers and duties is deemed and held to be the performance of an essential public function. Pursuant to C.R.S. § 32-20-104(1), the District is a separate legal entity that is not an agency of the State or of any local government and is not subject to administrative direction by any department, commission, board, or agency of the State or of any local government. The C-PACE Program enables owners of eligible commercial and industrial buildings to finance up to 100% of energy efficiency, renewable energy, and water conservation eligible improvements. Financing is provided by private capital providers at competitive rates with repayment terms up to 25 years. The Program financing repayment is facilitated through the County property tax assessment process. An assessment lien (similar to a sewer district assessment) is recorded against the property benefitting from the new energy improvements, and the assessment lien is collected utilizing the property tax payment process. The assessment is repaid over the financing term (up to 25 years), and the annual energy cost savings will, in most cases, exceed the annual assessment payment, thereby enabling capital-intensive equipment upgrades. Because the Program assessment lien repayment obligation runs with the property, the assessment transfers to the next owner when the property is sold. The District’s primary revenues are special assessments, which are passed through to the private third-party capital providers upon receipt from each County and verification by the District, and the District’s share of the Program administration fee. The District’s boundaries are noncontiguous and include the eligible real property of those property owners who voluntarily join the District through participation in the C-PACE Program and whose property is located within those counties whose county commissioners have considered and adopted a resolution authorizing the District to operate the Program within its jurisdiction. Forty (40) of Colorado’s 64 counties (Adams, Arapahoe, Baca, Boulder, Broomfield, Clear Creek, Costilla, Crowley, Delta, Denver, Douglas, Eagle, El Paso, Fremont, Garfield, Gilpin, Grand, Gunnison, Huerfano, Jefferson, La Plata, Las Animas, Lake, Larimer, Lincoln, Logan, Mesa, Morgan, Montezuma, Montrose, Ouray, Otero, Pitkin, Prowers, Pueblo, Routt, San Miguel, Sedgwick, Summit, and Yuma) have authorized such participation.



Colorado New Energy Improvement District

Notes to Financial Statements

December 31, 2023

The District is governed by a seven-member board of directors (“Board”) that includes the Director of the Colorado Energy Office (CEO) or his or her designee and six (6) additional members, appointed by the Governor for four-year terms, who collectively represent or have executive-level experience in commercial or residential real estate development, financial institutions, the utility industry, and the energy efficiency and renewable energy industries.

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 Statements, 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.

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. There is no interfund activity in these statements.



Colorado New Energy Improvement District

Notes to Financial Statements

December 31, 2023

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 in 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.

The District reports the following major governmental fund:

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.

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.



Colorado New Energy Improvement District

Notes to Financial Statements

December 31, 2023

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

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

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 financial 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 does not have any deferred outflows of resources to report.

In addition to liabilities, the statement of financial 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 item classified deferred inflows of resources to report. Grant revenues which are related to 2023 expenses but not received within 60 days of fiscal year end will be reported as deferred inflows of resources.

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:



Colorado New Energy Improvement District

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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 in the amount of \$4,904 represents prepaid insurance.

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 \$27,217 of the General Fund balance has been restricted in compliance with this requirement.

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 other 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 may report three categories of net position, as follows:



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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 or resources related to those assets. The District has no capital assets therefore no Net investment in capital 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.

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

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

Statement of Net Position:

Cash	\$ 403,694
Cash - Restricted	<u>27,217</u>
Total	\$ <u>430,911</u>

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

Deposits with financial institutions	\$ 157,085
COLOTRUST	<u>273,826</u>
Total	\$ <u>430,911</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



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December 31, 2023

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

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 are not required to be categorized within the fair value hierarchy. This investment's value for COLOTRUST is calculated using the net asset value method (NAV) per share.

Credit Risk

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

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.

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 ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The



Colorado New Energy Improvement District

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December 31, 2023

Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2023, the District had \$273,826 invested in COLOTRUST.

Debt Authorization

C.R.S. § 32-20-108(1) authorizes the District to issue up to \$800 million in special assessment bonds for financing eligible new energy improvement projects and to pay other costs of the District. However, the District is also statutorily authorized to fund projects through private third-party financing, rather than through the issuance of bonds. The District has not issued any special assessment bonds to date.

Note 3: Agreements

Professional Services Agreement

On March 6, 2018 the District entered into an updated Professional Services Agreement ("PSA") with Sustainable Real Estate Solutions Inc, a Delaware corporation ("SRS") whereby SRS agreed to continue to manage the Program including program management, marketing management and financial management. The District agreed to compensate SRS for its services upon the successful closing of each financed Project, through the payment of a volumetric success fee of 83% of 2.25% of the total aggregate gross amount made available to finance the specific project subject to a minimum of \$5,000 and not to exceed \$50,000 for each project. In August 2023, the SRS PSA was extended to June 30, 2024, which increased the SRS success fee to be based on a 2.50% Program Administration Fee, subject to a minimum of \$5,000 and an increased maximum of \$75,000 for each project. The District's program administrative fee is set forth and disclosed in the C-PACE Program Guide, as the same may be amended from time to time. A maximum administration fee of \$5,000 for refinanced/restructuring of existing CoPACE assessment lien, and any projects that do not involve financing or restructuring of an existing CoPACE assessment lien remain in the same fee structure.

At the sole discretion of the District, contingent upon SRS performing the services under the agreement to the satisfaction of the District, the District reserved the right to renew the term of the agreement.



Colorado New Energy Improvement District

Notes to Financial Statements

December 31, 2023

Colorado C-PACE NEID-COUNTY PARTICIPATION AGREEMENT

The District has entered into Colorado C-Pace NEID-County Participation Agreements (“Participation Agreements”) with each of forty (40) counties in the State of Colorado (see Note 1) that have authorized the District to conduct the Program within county boundaries. The Participation Agreements outline the District’s responsibilities relating to the Program including the program requirements, the project requirements and the assessment and financing requirements. It also outlines the responsibilities of the Counties including the responsibility to bill and collect the assessments.

After the District issues bonds notes or other obligations, or after a third party capital provider provides funds to finance the costs of any Program project, the Participation Agreement may not be amended or terminated by the parties without the prior approval of the holder of the District’s bonds, notes or other obligation, or the third party capital provider that have financed a specific project.

Intergovernmental Agreement Regarding Establishment and Use of District Reserve Fund

The District entered into an Intergovernmental Agreement Regarding Establishment and Use of District Reserve Fund with County of Larimer, Colorado on June 15, 2018 and with Ouray County on October 10, 2018 to establish a process by which the District will use its reserve account to satisfy special assessment obligations of real property that has been included within the District and upon which a propriety special assessment lien has been placed on behalf of and for the benefit of the holder of the treasurer’s deed. The District agreed to establish a reserve fund no later than January 1 in the third calendar year following the date on which the District certified special assessment roll to the respective county at rates required per the agreement.

State of Colorado Grant Agreement

The District entered into a reimbursable Grant Agreement (the “Grant”) with the State of Colorado Energy Office (the “State”) with an effective date November 15, 2021 whereby the State agreed to provide the District with a maximum amount of \$196,733 in 2022, \$333,600 in 2023, \$411,300 in 2024, and \$316,500 in 2025 for a total of \$ 1,258,133 to provide funding to the District for ongoing administrative and operational costs associated with supporting energy upgrades in commercial buildings throughout the State of Colorado. The District provides invoices for administrative and operational expenditures to the State for reimbursement. The Grant has an expiration date and fund expenditure end date of June 30, 2025. The District recorded \$264,839 of expenditures which were reimbursable under this Grant during the year ended December 31, 2023, with \$157,372 receivable at year end, and \$85,450 recorded as a deferred inflow of resources due to the timing funds were received by the District.



Colorado New Energy Improvement District

Notes to Financial Statements

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Note 4: 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.

Note 5: 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.



Colorado New Energy Improvement District

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Note 6: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

At December 31, 2023, there were no reconciling items between the Governmental Funds Balance Sheet and the Statement of Net Position or between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities.