

**LORSON RANCH METROPOLITAN
DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024

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YEAR ENDED DECEMBER 31, 2024**

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Board of Directors
Lorson Ranch Metropolitan District No. 2
El Paso County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lorson Ranch Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2024, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lorson Ranch Metropolitan District No. 2 as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 (GAAP), 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 GAAS 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 GAAS, 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 the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in our report. The other information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Denver, Colorado

July 14, 2025

BASIC FINANCIAL STATEMENTS

LORSON RANCH METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2024

| | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments - Restricted | \$ 4,364,731 |
| Receivable from County Treasurer | 14,678 |
| Property Tax Receivable | <u>1,910,833</u> |
| Total Assets | <u>6,290,242</u> |
| LIABILITIES | |
| Due to Other Districts - LRMD No. 1 | 3,816 |
| Accrued Interest | 51,854 |
| Noncurrent Liabilities: | |
| Due Within One Year | 215,210 |
| Due in More Than One Year | <u>15,797,550</u> |
| Total Liabilities | <u>16,068,430</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | <u>1,910,833</u> |
| Total Deferred Inflows of Resources | <u>1,910,833</u> |
| NET POSITION | |
| Restricted for: | |
| Debt Service | 3,753,791 |
| Unrestricted | <u>(15,442,812)</u> |
| Total Net Position | <u><u>\$ (11,689,021)</u></u> |

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

| | | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position |
|---|------------|----------------------------|--|--|--|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 350,491 | \$ - | \$ - | \$ - | \$ (350,491) |
| Interest on Long-Term Debt and Related Costs | 612,580 | - | - | - | (612,580) |
| Total Governmental Activities | \$ 963,071 | \$ - | \$ - | \$ - | (963,071) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 1,922,989 |
| Specific Ownership Taxes | | | | | 179,420 |
| Interest Income | | | | | 215,885 |
| Total General Revenues and Transfers | | | | | 2,318,294 |
| CHANGES IN NET POSITION | | | | | |
| Net Position - Beginning of Year | | | | | (13,044,244) |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | \$ (11,689,021) |

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

| | General | Debt Service | Total Governmental Funds |
|--|------------|-----------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments - Restricted | \$ - | \$ 4,364,731 | \$ 4,364,731 |
| Receivable from County Treasurer | 2,446 | 12,232 | 14,678 |
| Property Tax Receivable | 318,456 | 1,592,377 | 1,910,833 |
| Total Assets | \$ 320,902 | \$ 5,969,340 | \$ 6,290,242 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Due to Other Districts - LRMD No. 1 | \$ 2,446 | \$ 1,370 | \$ 3,816 |
| Total Liabilities | 2,446 | 1,370 | 3,816 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Property Tax | 318,456 | 1,592,377 | 1,910,833 |
| Total Deferred Inflows of Resources | 318,456 | 1,592,377 | 1,910,833 |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Debt Service | - | 4,375,593 | 4,375,593 |
| Total Fund Balances | - | 4,375,593 | 4,375,593 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 320,902 | \$ 5,969,340 | |

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

| | |
|-----------------------------|--------------|
| Accrued Interest | (51,854) |
| Bonds Payable - Series 2016 | (15,350,000) |
| Unamortized Bond Premium | (662,760) |

| | |
|---|-----------------|
| Net Position of Governmental Activities | \$ (11,689,021) |
|---|-----------------|

LORSON RANCH METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

| | General | Debt Service | Total Governmental Funds |
|---|------------|-----------------|--------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 320,490 | \$ 1,602,499 | \$ 1,922,989 |
| Specific Ownership Taxes | 29,903 | 149,517 | 179,420 |
| Interest Income | 98 | 215,787 | 215,885 |
| | 350,491 | 1,967,803 | 2,318,294 |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| County Treasurer's Fee | 4,810 | 24,048 | 28,858 |
| Intergovernmental Expenditures - LRMD No. 1 | 345,681 | - | 345,681 |
| Debt Service: | | | |
| Bond Interest | - | 628,844 | 628,844 |
| Bond Principal | - | 165,000 | 165,000 |
| Paying Agent Fees | - | 875 | 875 |
| | 350,491 | 818,767 | 1,169,258 |
| Total Expenditures | | | |
| NET CHANGE IN FUND BALANCES | - | 1,149,036 | 1,149,036 |
| Fund Balances - Beginning of Year | - | 3,226,557 | 3,226,557 |
| FUND BALANCES - END OF YEAR | \$ - | \$ 4,375,593 | \$ 4,375,593 |

See accompanying Notes to Basic Financial Statements.

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

| | |
|--|--------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 1,149,036 |
|--|--------------|

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

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 Payable - Change in Liability | 550 |
| Amortization of Bond Premium | <u>40,637</u> |

| | |
|--|----------------------------|
| Changes in Net Position of Governmental Activities | <u><u>\$ 1,355,223</u></u> |
|--|----------------------------|

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 318,503 | \$ 320,490 | \$ 1,987 |
| Specific Ownership Taxes | 33,124 | 29,903 | (3,221) |
| Interest Income | - | 98 | 98 |
| Other Revenue | 1,000 | - | (1,000) |
| | <u>352,627</u> | <u>350,491</u> | <u>(2,136)</u> |
| Total Revenues | 352,627 | 350,491 | (2,136) |
| EXPENDITURES | | | |
| Contingency | 1,000 | - | 1,000 |
| County Treasurer's Fee | 4,778 | 4,810 | (32) |
| Intergovernmental Expenditures - LRMD No. 1 | 346,849 | 345,681 | 1,168 |
| | <u>352,627</u> | <u>350,491</u> | <u>2,136</u> |
| Total Expenditures | 352,627 | 350,491 | 2,136 |
| NET CHANGE IN FUND BALANCE | | | |
| | - | - | - |
| Fund Balance - Beginning of Year | - | - | - |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See accompanying Notes to Basic Financial Statements.

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 DEFINITION OF REPORTING ENTITY

Lorson Ranch Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed on December 2, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised statutes). The District's service area is located in El Paso County, Colorado. The District was established to provide financing for the acquisition, construction, and installation of streets, traffic and safety controls, parks and recreational facilities, water, storm drainage, sanitation, fire protection, and mosquito control.

The District was formed under the Consolidated Service Plan in conjunction with Lorson Ranch Metropolitan Districts Nos. 1, 3–7. District No. 1 will serve as the Service District with the responsibility of managing the construction and operation of facilities and improvements needed for the public improvements. District Nos. 2–7 will serve as the Financing Districts with the responsibility of providing the funding and tax base needed to support the capital improvements and operations to serve the community known as Lorson Ranch.

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 (including District Nos. 1, 3–7), nor is the District a component unit of any other primary governmental entity.

NOTE 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

Separate financial statements are provided for the governmental funds. 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 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. 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.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

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.

Property Taxes

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

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

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

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

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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.

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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 practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|---------------------|
| Cash and Investments - Restricted | \$ 4,364,731 |
| Total Cash and Investments | <u>\$ 4,364,731</u> |

Cash and investments as of December 31, 2024, consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with Financial Institutions | \$ 3,981 |
| Investments | 4,360,750 |
| Total Cash and Investments | <u>\$ 4,364,731</u> |

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. 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 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.

At December 31, 2024, the District's cash deposits had a bank balance of \$18,112 and a carrying balance of \$3,981.

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has adopted a formal investment policy wherein the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2024, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|--|-----------------------------------|---------------------|
| Morgan Stanley Government Money Market Funds | Weighted-Average Under 60 Days | \$ 180 |
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted-Average Under 60 Days | 4,360,570 |
| | | <u>\$ 4,360,750</u> |

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Morgan Stanley Government Money Market Funds

The debt service money that is included in the trust accounts at Zions Bank is invested in the Morgan Stanley Government Money Market Funds. This portfolio is a money market fund that is managed by Morgan Stanley and each share is equal in value to \$1.00. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2024.

| | Balance at December 31, 2023 | Additions | Reductions | Balance at December 31, 2024 | Due Within One Year |
|---------------------------------------|------------------------------------|-----------|----------------|------------------------------------|---------------------------|
| Bonds Payable: | | | | | |
| General Refunding Bonds - Series 2016 | \$ 15,515,000 | \$ - | \$ 165,000 | \$ 15,350,000 | \$ 175,000 |
| Bond Premium | 703,397 | - | 40,637 | 662,760 | 40,210 |
| Total Long-Term Obligations | \$ 16,218,397 | \$ - | \$ 205,637 | \$ 16,012,760 | \$ 215,210 |

The detail of the District's long-term obligation is as follows:

Series 2016 Limited Tax General Obligation Bonds

On June 16, 2016, the District authorized the issuance of Limited Tax Obligation Bonds, Series 2016 (the Bonds) in the aggregate principal amount of up to \$15,790,000 with interest rates ranging from 3.00% to 5.00%. The bonds are payable on December 1 and June 1, commencing on December 1, 2016. The principal and interest on the bonds are payable solely from and to the extent of Pledged Revenues, which may or may not be sufficient to pay the principal and interest on the bonds.

The Bonds are subject to redemption prior to maturity without premium on or after December 1, 2027. The proceeds were used to refund the Service Districts Series 2011 and Series 2012 Limited Tax General Obligation Bonds and 2014 Reimbursement Agreement.

The Bonds were issued at a premium of \$1,010,235. As of December 31, 2024, accumulated amortization totaled \$347,476.

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Bonds are also secured by amounts held by the Trustee in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due and payable and to make up any deficiencies in the Reserve Fund. The maximum Required Mill Levy is 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2024, the adjusted maximum mill levy is 66.767 mills. For collection year 2025, the District levied 66.769 mills.

The Bonds are secured by the funds in the Reserve Fund in the required amount of \$569,948 and in the Surplus Fund in the amount of \$2,008,213 up to a maximum of \$2,000,000.

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The Limited Tax General Obligation Bonds Series 2016 principal and interest will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 175,000 | \$ 622,244 | \$ 797,244 |
| 2026 | 205,000 | 615,244 | 820,244 |
| 2027 | 205,000 | 607,044 | 812,044 |
| 2028 | 240,000 | 596,794 | 836,794 |
| 2029 | 250,000 | 584,794 | 834,794 |
| 2030-2034 | 1,705,000 | 2,706,220 | 4,411,220 |
| 2035-2039 | 2,550,000 | 2,199,220 | 4,749,220 |
| 2040-2044 | 3,630,000 | 1,493,039 | 5,123,039 |
| 2045-2049 | 4,720,000 | 775,069 | 5,495,069 |
| 2050 | 1,670,000 | 56,363 | 1,726,363 |
| Total | <u>\$ 15,350,000</u> | <u>\$ 10,256,031</u> | <u>\$ 25,606,031</u> |

Events of Default

Events of default occur if the District fails or refuses to impose the Mill Levy or to apply the Pledged Revenue as required by the Bonds Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Bonds Indenture.

The failure to pay the principal of or the interest on the Bonds when due or to cause the Bond Reserve Fund to be replenished shall not, in and of itself, constitute an Event of Default under the Bonds Indenture if the reason of such failure is an insufficiency of Pledged Revenues. The District has no open lines of credit.

Authorized Debt

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$640,000,000 at an interest rate to be determined by the District's Board of Directors. At December 31, 2024, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | <u>Authorized November 2, 2004</u> | <u>Authorization Used Series 2016</u> | <u>Remaining at December 31, 2024</u> |
|----------------------------|--|---|---|
| Street | \$ 80,000,000 | \$ 5,798,055 | \$ 74,201,945 |
| Water Supply | 80,000,000 | 2,853,587 | 77,146,413 |
| Sanitary Sewer | 80,000,000 | 4,463,488 | 75,536,512 |
| Traffic and Safety | 80,000,000 | - | 80,000,000 |
| Park and Recreation | 80,000,000 | 717,646 | 79,282,354 |
| Mosquito Control | 80,000,000 | - | 80,000,000 |
| Operations and Maintenance | 80,000,000 | 248,157 | 79,751,843 |
| Debt Refunding | 80,000,000 | 1,709,067 | 78,290,933 |
| Total | <u>\$ 640,000,000</u> | <u>\$ 15,790,000</u> | <u>\$ 624,210,000</u> |

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2024**

NOTE 5 NET POSITION

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

Restricted net position includes assets that are 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, 2024, as follows:

| | |
|-------------------------------|----------------------------|
| | Governmental Activities |
| Restricted Net Position: | |
| Debt Service Reserve | \$ 3,753,791 |
| Total Restricted Net Position | \$ 3,753,791 |

The District has a deficit in unrestricted net position. This deficit amount was a result of the District being responsible for the financing and repayment of debt obligations and advances for the construction of public improvements which were conveyed to other governmental entities and which costs were removed from the District’s financial records.

NOTE 6 RELATED PARTIES

Some of the members of the Board of Directors of the District are employees of, or otherwise associated with Lorson North Land Corporation (the Developer), the Landhuis Company and Tralon Homes, LLC, and may have conflicts of interest in dealing with the District.

NOTE 7 INTERGOVERNMENTAL AGREEMENT

District Facilities Construction and Service Agreement

On January 27, 2005, the District entered into a District Facilities Construction and Service Agreement (Master IGA) with Lorson Ranch Metropolitan District No. 1 (Service District) and Districts Nos. 3–7 (Financing Districts). Under the terms of the agreement, the Financing Districts will, over a period of years, levy sufficient taxes to pay to the Service District the costs of construction, acquisition, and equipping of certain public facilities and services and the related operations and maintenance costs.

In return, the Service District has agreed to acquire, construct, and equip the facilities, provide for their operations and maintenance, and provide service to the property within District Nos. 1–7, or convey facilities to other entities that will provide the service.

NOTE 8 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.

LORSON RANCH METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8 RISK MANAGEMENT (CONTINUED)

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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 Service District pays the annual premiums on behalf of the District to the Pool for liability, property, workers' compensation, 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.

NOTE 9 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 that 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 transfers its net operating revenue to the Service District. Therefore, the Emergency Reserves related to the District's revenues are reported in the Service District.

On November 20, 2004, the District voters passed an election question allowing the District to increase property taxes up to \$1,000,000 annually, without limitation of rate, and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Sections 29-2-301, C. R. S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend, or retain all revenue without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**LORSON RANCH METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------------------|----------------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 1,592,564 | \$ 1,602,499 | \$ 9,935 |
| Specific Ownership Taxes | 165,627 | 149,517 | (16,110) |
| Interest Income | 150,000 | 215,787 | 65,787 |
| Total Revenues | <u>1,908,191</u> | <u>1,967,803</u> | <u>59,612</u> |
| EXPENDITURES | | | |
| County Treasurer's Fee | 23,888 | 24,048 | (160) |
| Paying Agent Fees | 2,500 | 875 | 1,625 |
| Bond Interest | 628,844 | 628,844 | - |
| Bond Principal | 165,000 | 165,000 | - |
| Intergovernmental Expenditures - LRMD No. 4 | 1,000,000 | - | 1,000,000 |
| Contingency | 10,000 | - | 10,000 |
| Total Expenditures | <u>1,830,232</u> | <u>818,767</u> | <u>1,011,465</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 77,959 | 1,149,036 | 1,071,077 |
| NET CHANGE IN FUND BALANCE | 77,959 | 1,149,036 | 1,071,077 |
| Fund Balance - Beginning of Year | <u>2,597,632</u> | <u>3,226,557</u> | <u>628,925</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 2,675,591</u></u> | <u><u>\$ 4,375,593</u></u> | <u><u>\$ 1,700,002</u></u> |

OTHER INFORMATION - UNAUDITED

LORSON RANCH METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2024

\$15,790,000
 General Obligation Limited Tax Bonds
 Series 2016
 Dated June 16, 2016
 Principal Due December 1
 Interest Rate 3.000 - 5.000%
 Interest Payable June 1 and December 1

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 175,000 | \$ 622,244 | \$ 797,244 |
| 2026 | 205,000 | 615,244 | 820,244 |
| 2027 | 205,000 | 607,044 | 812,044 |
| 2028 | 240,000 | 596,794 | 836,794 |
| 2029 | 250,000 | 584,794 | 834,794 |
| 2030 | 290,000 | 572,294 | 862,294 |
| 2031 | 300,000 | 557,794 | 857,794 |
| 2032 | 340,000 | 542,794 | 882,794 |
| 2033 | 365,000 | 525,794 | 890,794 |
| 2034 | 410,000 | 507,544 | 917,544 |
| 2035 | 430,000 | 487,044 | 917,044 |
| 2036 | 480,000 | 465,544 | 945,544 |
| 2037 | 500,000 | 441,544 | 941,544 |
| 2038 | 560,000 | 416,544 | 976,544 |
| 2039 | 580,000 | 388,544 | 968,544 |
| 2040 | 640,000 | 359,544 | 999,544 |
| 2041 | 675,000 | 327,544 | 1,002,544 |
| 2042 | 735,000 | 293,794 | 1,028,794 |
| 2043 | 765,000 | 268,988 | 1,033,988 |
| 2044 | 815,000 | 243,169 | 1,058,169 |
| 2045 | 850,000 | 215,663 | 1,065,663 |
| 2046 | 905,000 | 186,975 | 1,091,975 |
| 2047 | 935,000 | 156,431 | 1,091,431 |
| 2048 | 1,000,000 | 124,875 | 1,124,875 |
| 2049 | 1,030,000 | 91,125 | 1,121,125 |
| 2050 | 1,670,000 | 56,363 | 1,726,363 |
| | <u>1,670,000</u> | <u>56,363</u> | <u>1,726,363</u> |
| Total | <u>\$ 15,350,000</u> | <u>\$ 10,256,031</u> | <u>\$ 25,606,031</u> |

LORSON RANCH METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2024

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|--|---|--------------|-----------------|----------------------|--------------|-----------------------------------|
| | | General | Debt Service | Levied | Collected | |
| 2020 | \$ 18,409,600 | 11.132 | 55.663 | \$ 1,229,669 | \$ 1,229,659 | 100.00 % |
| 2021 | 18,436,250 | 11.132 | 55.663 | 1,231,449 | 1,231,449 | 100.00 % |
| 2022 | 19,997,030 | 11.132 | 55.663 | 1,335,702 | 1,336,361 | 100.05 % |
| 2023 | 19,510,720 | 11.453 | 57.266 | 1,340,757 | 1,341,424 | 100.05 % |
| 2024 | 23,852,560 | 13.353 | 66.767 | 1,911,067 | 1,922,989 | 100.62 % |
| Estimated for Year Ending December 31, 2025 | \$ 23,849,040 | 13.353 | 66.769 | \$ 1,910,833 | | |

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.