

**Two Rivers Metropolitan District
Gypsum, Colorado**

**Financial Statements
December 31, 2024**

**Two Rivers Metropolitan District
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December 31, 2024**

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MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Two Rivers Metropolitan District
Gypsum, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Two Rivers Metropolitan District (the "District"), as of and for the year ended December 31, 2024, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Two Rivers Metropolitan District, as of December 31, 2024 and the respective changes in financial position and, where applicable, cash flows thereof 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 ("U.S. 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 Two Rivers Metropolitan 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

The Two Rivers Metropolitan District's 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

**Independent Auditor's Report
To the Board of Directors
Two Rivers Metropolitan District
Gypsum, Colorado**

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 auditing standards generally accepted in the United States of America, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Independent Auditor's Report
To the Board of Directors
Two Rivers Metropolitan District
Gypsum, Colorado**

Required Supplementary Information (continued)

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Two Rivers Metropolitan District's basic financial statements. The individual fund budgetary comparison information listed in the accompanying table of contents in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information in Section F is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
July 18, 2025**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Two Rivers Metropolitan District

Management's Discussion and Analysis December 31, 2024

As management of the Two Rivers Metropolitan District ("District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statement, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes.)

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and interest on long-term debt. The business-type activities of the District are water and sewer operations.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

The District adopts an annual appropriated budget for each fund as required by Colorado statutes. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds: The District maintains two proprietary funds. The District uses the Water and Sewer Fund to account for its water and sewer activities and the Infrastructure/Recreation Fund to account for infrastructure and recreational activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Government-wide Financial Analysis

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for fiscal years 2024 and 2023.

	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 1,217,497	\$ 2,455,341	\$ 3,672,838	\$ 1,014,797	\$ 1,961,841	\$ 2,976,638
Capital assets	1,738,077	2,734,785	4,472,862	1,826,145	2,560,953	4,387,098
Total Assets	2,955,574	5,190,126	8,145,700	2,840,942	4,522,794	7,363,736
Liabilities:						
Long-term liabilities	800,169	1,282,990	2,083,159	2,961,290	2,046,591	5,007,881
Other liabilities	52,123	12,099	64,222	54,854	-	54,854
Total Liabilities	852,292	1,295,089	2,147,381	3,016,144	2,046,591	5,062,735
Deferred Inflows:						
Property Taxes	174,516	-	174,516	174,730	-	174,730
Deferred gain on debt refunding	2,119,481	1,494,804	3,614,285			
Total Deferred Inflows	2,293,997	1,494,804	3,788,801	174,730	-	174,730
Net Position:						
Net investment in capital assets	(747,968)	227,426	(520,542)	(696,855)	760,953	64,098
Restricted for emergencies	29,819	-	29,819	5,460	-	5,460
Restricted for future maintenance	237,846	-	237,846	188,057	-	188,057
Unrestricted (deficit)	289,588	2,202,807	2,492,395	153,406	1,715,250	1,868,656
Total Net Assets (Deficit)	\$ (190,715)	\$ 2,430,233	\$ 2,239,518	\$ (349,932)	\$ 2,476,203	\$ 2,126,271

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting the cost of the services. The following detail reflects the total cost of services supported by program revenues, general

property taxes and sales taxes for roads, road safety and transportation, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2024 and 2023.

	2024			2023		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 12,898	\$ 523,510	\$ 536,408	\$ 9,260	\$ 530,051	\$ 539,311
Grants and contributions	100,112	27,854	127,966	76,291	34,484	110,775
General revenues:						
Property taxes	184,626	-	184,626	132,127	-	132,127
Sales taxes	225,733	-	225,733	182,658	-	182,658
Other taxes	8,526	-	8,526	7,570	-	7,570
Other income	5,835	9,967	15,802	33,041	7,201	40,242
Interest	42,683	104,727	147,410	6,663	87,704	94,367
Transfers	-	-	-	-	-	-
Total Revenues	580,413	666,058	1,246,471	447,610	659,440	1,107,050
Expenses:						
General government	421,196	-	421,196	402,668	-	\$ 402,668
Water and sewer operations	-	614,430	614,430	-	515,790	515,790
Infrastructure/ Rec operations	-	97,598	97,598	-	105,379	105,379
Total Expenses	421,196	712,028	1,133,224	402,668	621,169	1,023,837
Change in Net Assets	159,217	(45,970)	113,247	44,942	38,271	83,213
Net Assets (Deficit) - Beginning	(349,932)	2,476,203	2,126,271	(394,874)	2,437,932	2,043,058
Net Assets (Deficit) - Ending	\$ (190,715)	\$ 2,430,233	\$ 2,239,518	\$ (349,932)	\$ 2,476,203	\$ 2,126,271

The District's overall financial position, as measured by net position, increased from \$2,126,271 at the end of 2023 to \$2,239,518 at the end of 2024. This increase is primarily the result of operating surpluses that are being reserved for future infrastructure improvements.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,002,615, an increase of \$215,273 from the prior year. This increase is primarily the result of collection of property and sales taxes that are being reserved for future replacements and capital expenditures. Of the fund balance, \$29,819 is restricted for emergencies, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers' Bill of Rights (TABOR) and \$27,287 is non-spendable as it represents amounts that have already been prepaid toward future periods' operations.

Proprietary funds: The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets for the proprietary funds was \$2,202,807 at the end of 2024. These unrestricted net assets primarily resulted from water and sewer tap fees which were being accumulated in prior years to make improvements to the District's water and wastewater systems.

Budget Variances: The District did not amend the budget during 2024. In the governmental funds, the budget variances were generally favorable. In the proprietary fund, the infrastructure projects and corresponding grant funding were delayed, resulting in an overall favorable variance to the budget. Details can be seen on pages E1 and E2 for the governmental funds and pages F1 and F2 for the proprietary funds.

Capital assets: During 2024 the District invested \$97,038 in capital assets in the governmental activities and \$335,818 in the business-type activities. Depreciation expense of \$185,106 was recognized in the governmental activities and \$161,986 in the business-type activities. Additional information as well as a classification of the District's capital assets can be found in Note III C to the Financial Statements.

Long-term debt: The District's long-term liabilities primarily relate to debt issued in 2024 to finance or refinance certain public improvements within its boundaries. On March 20, 2024, a bank lending institution loaned the District \$2,115,000. Of this amount, \$1,300,000 was used to fully repay loan balances of \$5,700,882 owed to the District's original developer, \$700,000 was allocated for improvements to the District's wastewater treatment plant, and \$115,000 covered the cost of issuing the loan. The loan is to be repaid with interest over a 30-year period, with the final payment due on December 1, 2053. The initial interest rate is 5.53% and remains fixed through December 1, 2033, after which it will be adjusted based on market conditions. The District's only other long-term obligation is for accrued vacation payable for the District's employees. Additional information can be found in Note III E to the Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Two Rivers Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632, phone (970) 926-6060 or by email to admin@mwcpaa.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Two Rivers Metropolitan District
Statement of Net Position
December 31, 2024

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and equivalents	876,217	2,367,904	3,244,121
Due from County Treasurer	794	-	794
Due from TRHOA	100,112	27,854	127,966
Accounts receivable	38,571	59,583	98,154
Property tax receivable	174,516	-	174,516
Prepaid expenses	27,287	-	27,287
Capital assets, net of accumulated depreciation	1,738,077	2,734,785	4,472,862
Total Assets	<u>2,955,574</u>	<u>5,190,126</u>	<u>8,145,700</u>
Liabilities:			
Accounts payable and accrued liabilities	40,366	-	40,366
Accrued interest	3,709	5,943	9,652
Accrued compensated absences	3,363	-	3,363
Loans payable:			
Due within one year	4,685	6,156	10,841
Due in more than one year	800,169	1,282,990	2,083,159
Total Liabilities	<u>852,292</u>	<u>1,295,089</u>	<u>2,147,381</u>
Deferred Inflows of Resources:			
Property tax revenue	174,516	-	174,516
Deferred gain on debt refunding	2,119,481	1,464,804	3,584,285
Total Deferred Inflows of Resources	<u>2,293,997</u>	<u>1,464,804</u>	<u>3,758,801</u>
Net Position:			
Net investment in capital assets	(747,968)	227,426	(520,542)
Restricted for emergencies	29,819	-	29,819
Restricted for future maintenance	237,846	-	237,846
Unrestricted	289,588	2,202,807	2,492,395
Total Net Position	<u>(190,715)</u>	<u>2,430,233</u>	<u>2,239,518</u>

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

Two Rivers Metropolitan District
Statement of Activities
For the Year Ended December 31, 2024

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental Activities:							
General government	421,196	12,898	100,112	-	(308,186)	-	(308,186)
Total Governmental Activities	421,196	12,898	100,112	-	(308,186)	-	(308,186)
Business-type Activities:							
Water and sewer	614,430	430,932	-	-	-	(183,498)	(183,498)
Infrastructure / Recreation	97,598	92,578	27,854	-	-	22,834	22,834
Total Business-type Activities	712,028	523,510	27,854	-	-	(160,664)	(160,664)
Total	1,133,224	536,408	127,966	-	(308,186)	(160,664)	(468,850)
General Revenues:							
Property tax					184,626	-	184,626
Specific ownership tax					8,526	-	8,526
Sales tax					225,733	-	225,733
Interest					42,683	104,727	147,410
Other					5,835	9,967	15,802
Total General Revenues					467,403	114,694	582,097
Change in Net Position					159,217	(45,970)	113,247
Net Position (Deficit) - Beginning					(349,932)	2,476,203	2,126,271
Net Position (Deficit) - Ending					(190,715)	2,430,233	2,239,518

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

FUND FINANCIAL STATEMENTS

**Two Rivers Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2024**

	General Fund	Sales Tax Fund	Total Governmental Funds
Assets:			
Cash and equivalents	677,520	198,697	876,217
Due from County Treasurer	794	-	794
Due from TRHOA	99,512	600	100,112
Accounts receivable	22	38,549	38,571
Property tax receivable	174,516	-	174,516
Prepaid expenses	27,287	-	27,287
Total Assets	979,651	237,846	1,217,497
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	40,366	-	40,366
Total Liabilities	40,366	-	40,366
Deferred Inflows of Resources:			
Property tax revenue	174,516	-	174,516
Total Deferred Inflows of Resources	174,516	-	174,516
Fund Balances:			
Non-spendable	27,287	-	27,287
Restricted for emergencies	29,819	-	29,819
Restricted for future maintenance	-	237,846	237,846
Unassigned	707,663	-	707,663
Total Fund Balances	764,769	237,846	1,002,615
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	979,651	237,846	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,738,077
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.			
Accrued compensated absences		(3,363)	
Accrued interest		(3,709)	
Loans payable		(804,854)	(811,926)
Deferred amounts on refundings are reflected as current charges in the governmental fund financial statements. On the Statement of Activities and the statement of Net Position, these costs are capitalized and amortized over the life of the loan issuance.			
Deferred gain on debt refunding		(2,119,481)	(2,119,481)
Net Position of Governmental Activities			(190,715)

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

Two Rivers Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

	General Fund	Sales Tax Fund	Total Governmental Funds
Revenues:			
Taxes	193,152	225,733	418,885
Rent	12,898	-	12,898
Interest	35,127	7,556	42,683
Other	5,835	-	5,835
Reimbursement from TRHOA	99,512	600	100,112
Total Revenues	346,524	233,889	580,413
Expenditures:			
Administration and operations	44,584	184,100	228,684
Debt service:			
Principal	776,796	-	776,796
Interest	31,346	-	31,346
Issuance costs	44,202	-	44,202
Capital outlay	97,037	-	97,037
Total Expenditures	993,965	184,100	1,178,065
Excess of Revenues Over Expenditures	(647,441)	49,789	(597,652)
Other Financing Sources (Uses):			
Loan proceeds	812,925	-	812,925
Total Other Financing Sources (Uses)	812,925	-	812,925
Net Change in Fund Balances	165,484	49,789	215,273
Fund Balances - Beginning	599,285	188,057	787,342
Fund Balances - Ending	764,769	237,846	1,002,615

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

**Two Rivers Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2024**

Net Change in Fund Balances of Governmental Funds	215,273
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Depreciation of capital assets	(185,106)	
Capital outlay	97,037	(88,069)

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

Change in accrued compensated absences	(1,234)	
Principal payments	8,072	
Loan proceeds	(812,925)	
Repayment of developer advances	768,724	
Change in accrued interest	(3,710)	
Amortization of refunding gain	73,086	32,013

Change in Net Position of Governmental Activities	159,217
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Two Rivers Metropolitan District
Statement of Net Position
Proprietary Funds
December 31, 2024

	<u>Water & Sewer</u>	<u>Infrastructure & Recreation</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and equivalents	2,227,272	140,632	2,367,904
Due from TRHOA	-	27,854	27,854
Accounts receivable	59,583	-	59,583
Total Current Assets	<u>2,286,855</u>	<u>168,486</u>	<u>2,455,341</u>
Non-Current Assets:			
Construction in progress	526,960	-	526,960
Water rights	170,000	-	170,000
Capital assets, net of accumulated depreciation	2,037,825	-	2,037,825
Total Non-Current Assets	<u>2,734,785</u>	<u>-</u>	<u>2,734,785</u>
Total Assets	<u>5,021,640</u>	<u>168,486</u>	<u>5,190,126</u>
Liabilities:			
Current Liabilities:			
Accrued interest	5,943	-	5,943
Loans payable	6,156	-	6,156
Total Current Liabilities	<u>12,099</u>	<u>-</u>	<u>12,099</u>
Long-term Liabilities:			
Loans payable	1,282,990	-	1,282,990
Total Long-Term Liabilities	<u>1,282,990</u>	<u>-</u>	<u>1,282,990</u>
Deferred Inflows of Resources:			
Deferred gain on debt refunding	1,464,804	-	1,464,804
Total Deferred Inflows of Resources	<u>1,464,804</u>	<u>-</u>	<u>1,464,804</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,759,893</u>	<u>-</u>	<u>2,759,893</u>
Net Position:			
Net investment in capital assets	227,426	-	227,426
Unrestricted	2,034,321	168,486	2,202,807
Total Net Position	<u>2,261,747</u>	<u>168,486</u>	<u>2,430,233</u>

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

Two Rivers Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	<u>Water & Sewer</u>	<u>Infrastructure & Recreation</u>	<u>Total</u>
Operating Revenues:			
Charges for fees and services	430,932	92,578	523,510
TRHOA operating payments	-	27,854	27,854
Finance charges	5,928	-	5,928
Miscellaneous income	4,039	-	4,039
Total Operating Revenues	<u>440,899</u>	<u>120,432</u>	<u>561,331</u>
Operating Expenses:			
Plant operator	77,548	-	77,548
Permits and fees	12,947	-	12,947
Meter expenses	7,284	-	7,284
Engineering	6,189	-	6,189
Community center improvements	-	3,630	3,630
Repairs and maintenance	61,905	26,687	88,592
Utilities	39,917	14,445	54,362
Sludge hauling	39,791	-	39,791
Community park lease	-	492	492
Cleaning	-	6,270	6,270
Miscellaneous expense	-	7,109	7,109
Allocation of overhead	116,073	38,965	155,038
Bad debt	3,534	-	3,534
Depreciation	161,986	-	161,986
Total Operating Expenses	<u>527,174</u>	<u>97,598</u>	<u>624,772</u>
Operating Income (Loss):	<u>(86,275)</u>	<u>22,834</u>	<u>(63,441)</u>
Non-operating Revenues and (Expenses)			
Interest	100,586	4,141	104,727
Interest expense	(5,630)	-	(5,630)
Cost of issuance	(81,626)	-	(81,626)
Total Non-operating Revenues and (Expenses)	<u>13,330</u>	<u>4,141</u>	<u>17,471</u>
Change in Net Position	(72,945)	26,975	(45,970)
Total Net Position - Beginning	<u>2,334,692</u>	<u>141,511</u>	<u>2,476,203</u>
Total Net Position - Ending	<u>2,261,747</u>	<u>168,486</u>	<u>2,430,233</u>

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

Two Rivers Metropolitan District
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Water & Sewer	Infrastructure & Recreation	Total
Cash Flows from Operating Activities:			
Cash received from customers and others	511,634	92,578	604,212
Cash payments for goods and services	(424,771)	(103,015)	(527,786)
Operating contributions from TRHOA	-	34,484	34,484
Net Cash (Used) by Operating Activities	86,863	24,047	110,910
Cash Flows from Capital and Related Financing Activities:			
Loan proceeds	1,302,075	-	1,302,075
Principal payments to developer	(531,276)	-	(531,276)
Principal payments on loan	(12,929)	-	(12,929)
Interest payments on loan	(50,198)	-	(50,198)
Issuance costs on loan	(81,626)	-	(81,626)
Cash paid for capital additions	(335,818)	-	(335,818)
Net Cash Provided by Capital and Related Financing Activities	290,228	-	290,228
Cash Flows From Investing Activities:			
Interest income received	100,586	4,141	104,727
Net Cash Provided by Investing Activities	100,586	4,141	104,727
Net Change in Cash	477,677	28,188	505,865
Cash and Investments - Beginning	1,749,595	112,444	1,862,039
Cash and Investments - Ending	2,227,272	140,632	2,367,904
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:			
Operating (loss)	(86,275)	22,834	(63,441)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	161,986	-	161,986
(Increase) decrease in interfund balances	-	(5,417)	(5,417)
(Increase) in accounts receivable	11,152	6,630	17,782
Total Adjustments	173,138	1,213	174,351
Net Cash (Used) by Operating Activities	86,863	24,047	110,910

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

NOTES TO THE FINANCIAL STATEMENTS

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024

I. Summary of Significant Accounting Policies

The Two Rivers Metropolitan District (the "District") is a quasi-municipal corporation and a political subdivision of the State of Colorado.

The service plan, (the "Service Plan"), submitted in accordance with the Colorado Special District Act, sets forth the formation of the District, comprising approximately 175 acres located in the Dotsero area of unincorporated Eagle County, Colorado. The District was formed to assist in the funding, integration and coordination of metropolitan district services and facilities for the proposed Two Rivers Village Development (the "Community"). The Service Plan was approved August 10, 1998 by Eagle County.

The Community is located in western Eagle County, approximately 6.5 miles west of the Town of Gypsum, near the community of Dotsero and just south of Interstate Highway 70, near the confluence of the Colorado and Eagle Rivers.

The District includes approximately 175 acres. At full build out, it is anticipated that the District will contain approximately (i) 261 residential lots which will be developed for manufactured home residential housing units; (ii) 60 residential condominium units; (iii) 20 residential apartment units; (iv) 5 single family homes; and (v) 5,000 square feet of non-residential space which will be used for retail and office purposes. It is estimated that the population of the District will be approximately 1,215 persons based on three persons per residential living unit.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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. Other items not properly included among program revenues are reported instead as *general revenues*.

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 District, except those required to be accounted for in another fund.

The *Sales Tax Fund* accounts for sales tax revenue and maintenance expenditures that the sales tax revenue is restricted for.

The District reports the following proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the water and sewer operations.

The *Infrastructure & Recreation Fund* accounts for the activities of maintaining and improving infrastructure in the community.

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

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Water and Sewer Fund are charges for water and sewer fees. The principal operating revenues of the District's Infrastructure / Recreation Fund are charges for infrastructure fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less. Investments are stated at net asset value or fair value. The change in the fair value of investments is recognized as an increase or decrease to investment assets and investment income.

For the purposes of the Statement of Cash Flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of twelve months or less.

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include (with applicable minimum NRSRO credit rating restrictions):

- Obligations of the United States and certain U.S. agency securities
- General obligation and revenue bonds of U.S. local government entities (AA)
- Bankers' acceptance of certain banks (AA)
- Commercial paper and corporate bonds (A-1)
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds (AAAm)
- Certificates of deposit – non-negotiable
- Local government investment pools (AAAm)

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The trade and property taxes receivable are shown net of uncollectibles. All receivables at December 31, 2024 are considered collectible and, therefore, an allowance for uncollectible taxes and trade receivables has not been recorded.

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. Prepaid Items

Prepaid expenses are amounts paid in the current year for expenses related to the subsequent year.

5. Capital Assets

The initial capitalized assets of the governmental activities and business-type activities are recorded at historical cost. The reported values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the asset or extend its useful life beyond then original estimates.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets ranging from 20 to 30 years.

6. Long-term Debt

In the government-wide financial statements, and proprietary fund types in the fund financials statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

7. Deferred Outflows and Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for "deferred inflows of resources." Deferred inflows of resources represent property taxes levied in the current period to be collected in future periods. The District reports property taxes as deferred inflows of resources in the period the property taxes are levied. The District also reports the deferred gain on debt refunding.

8. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as "due from other funds" or "due to other funds" on the balance sheet when they are expected to be liquidated within a reasonable amount of time. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Fund Equity

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, as required by Colorado Statutes.

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis on the budget to actual statements and as presented below:

	Water and Sewer Fund	Infrastructure & Recreation Fund	Total
Net Change in Available Resources	(243,243)	26,975	(216,268)
Reconciliation to GAAP Basis:			
Capital outlay	335,818	-	335,818
Bad debt	(3,534)	-	(3,534)
Depreciation	(161,986)	-	(161,986)
Change in Net Position - GAAP Basis	(72,945)	26,975	(45,970)

As required by Colorado Statutes, the District followed this timetable in approving and enacting a budget for the ensuing year.

- (1) For the 2024 budget, prior to August 25, 2023, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2023, only once by a single notification to the District.
- (2) On or before October 15, 2023, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) Prior to December 15, 2023, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2024 will be collected in 2025. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Changes enacted by the Colorado Legislature delayed the Certification of County tax rolls. In November 2023, a short term property tax solution was passed during a special session, allowing Counties an extension to December 29, 2023 to provide final assessed valuations. The deadlines for the mill levy certifications was extended from December 15, 2023 to January 5, 2024.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2024, year-end fund balances for emergencies in the amount of \$29,819 which is the approximate required reserve at December 31, 2024.

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District's electorate approved that the District be authorized to collect, retain, and spend all revenues collected from the District's property tax rate of 20 mills, and from all other funds and sources, commencing January 1, 1999, and continuing thereafter, as a voter-approved revenue change, offset, and an exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)**

III. Detailed Notes on All Funds

A. Deposits and Investments

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 coverage provided by the Federal Depository Insurance Corporation (“FDIC”) must be collateralized. The eligible collateral is determined by Colorado’s Public Deposit Protection Act (“PDPA”). The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions 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’s deposits are entirely covered by Federal Depository Insurance Corporation (“FDIC”) or by the collateral held under. The FDIC insures the first \$250,000 of the District’s deposits at each financial institution. At December 31, 2024, the District’s carrying amount of demand deposits was at year end.

Investments

The District’s Investment Pool consists solely of investments in ColoTrust. The fair value of the pool is determined by the pool’s share price. The District has no regulatory oversight for the pool. At December 31, 2024 the District had the following investments:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
ColoTrust	2,687,386

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District’s general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution.

For purposes of the cash flow statement, the District considers investments on demand (e.g. ColoTrust) and with a maturity date of three months or less to be cash equivalents.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado’s PDPA requirement noted above mitigates concentration of credit risk.

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District had investments in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

B. Receivables

Receivables as of year-end for the government's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sales Tax Fund	Water and Sewer Fund	Infrastructure / Recreation Fund	Total
Property taxes	174,516	-	-	-	174,516
Due from Two Rivers HOA	99,512	600	-	27,854	127,966
Due from other governments	-	38,549	-	-	38,549
Due from County Treasurer	794	-	-	-	794
Trade and other receivables	-	-	59,583	-	59,583
Total	274,822	39,149	59,583	27,854	401,408
Less: allowance for uncollectible accounts	-	-	-	-	-
Net Total Receivables	274,822	39,149	59,583	27,854	401,408

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Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Roads, drainage and landscaping	4,126,736	-	-	4,126,736
Parks, recreation and open space	905,580	97,038	-	1,002,618
Total capital assets being depreciated	<u>5,032,316</u>	<u>97,038</u>	<u>-</u>	<u>5,129,354</u>
Less: Accumulated depreciation:				
Roads, drainage and landscaping	(2,404,814)	(137,558)	-	(2,542,372)
Parks, recreation and open space	(801,357)	(47,548)	-	(848,905)
Total accumulated depreciation	<u>(3,206,171)</u>	<u>(185,106)</u>	<u>-</u>	<u>(3,391,277)</u>
Total Governmental Activities, Net	<u>1,826,145</u>	<u>(88,068)</u>	<u>-</u>	<u>1,738,077</u>
Business-type Activities:				
Capital assets not being depreciated:				
Water rights	170,000	-	-	170,000
Consturction in progress	298,912	228,048	-	526,960
Total capital assets not being depreciated	<u>468,912</u>	<u>228,048</u>	<u>-</u>	<u>696,960</u>
Capital assets being depreciated:				
Water system	1,748,580	-	-	1,748,580
Sewer system	2,993,500	107,770	-	3,101,270
Total capital assets being depreciated	<u>4,742,080</u>	<u>107,770</u>	<u>-</u>	<u>4,849,850</u>
Less: Accumulated depreciation:				
Water system	(1,003,290)	(58,745)	-	(1,062,035)
Sewer system	(1,646,749)	(103,241)	-	(1,749,990)
Total accumulated depreciation	<u>(2,650,039)</u>	<u>(161,986)</u>	<u>-</u>	<u>(2,812,025)</u>
Total Business-type Activities, Net	<u>2,560,953</u>	<u>173,832</u>	<u>-</u>	<u>2,734,785</u>

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 30 years. The depreciation expense was charged to the primary government as follows:

Governmental Activities:	
General government	<u>185,106</u>
Business-type Activities:	
Water and Sewer	<u>161,986</u>

**Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)**

III. Detailed Notes on All Funds (continued)

D. Interfund Balances, Transfers, and Allocation of Overhead

1. Allocation of Overhead

Overhead expenses incurred in the General Fund were allocated across all funds, with half of General Fund overhead expenses allocated to Water and Sewer Fund and one sixth of General Fund overhead expenses allocated to both the Sales Tax Fund and Infrastructure / Recreation Fund in 2024. Allocations of overhead expenses in December 31, 2024 are as follows:

Overhead Allocations:	Amount
Sales Tax Fund	38,965
Water and Sewer Fund	116,073
Infrastructure / Recreation Fund	38,965
Allocated from General Fund	<u>194,003</u>

E. Long-term Debt

1. Developer Operating Advances

The Developer has advanced to the District operating advances to provide the District with operating funds. The operating advances are to be repaid when the District has available resources to repay the operating advances. There is no interest due on these advances. As of December 31, 2024, the developer advances are repaid.

2. Developer Infrastructure Acquisitions Payable

Dotsero Realty Partners, LLP (the "Initial Developer"), financed the infrastructure of the District and in the year ended December 31, 2005, transferred the ownership of the infrastructure to the District. The electorate of the District on May 4, 2004 authorized debt in the aggregate total of \$4,800,000 to finance the acquisition of the District's infrastructure. On January 20, 2011, the District approved the assignment of the Infrastructure Acquisition Agreement from the Initial Developer to 2 Rivers Realty, L.P. (the "Current Developer").

The District has recorded as a long-term liability the purchase price of the infrastructure acquired from the Initial Developer. The District intends to pay the long-term liability from the net proceeds of limited tax general obligation bonds or tap fees if such tap fees are in excess of the District's needs. There is no interest due or accruing on the Developer infrastructure payable. It is uncertain as to when the District's assessed valuation of properties within the District will be sufficient to allow the issuance of the limited tax general obligation bonds. As of December 31, 2024, the developer advances are repaid.

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Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

3. Tap Fee Revenue Sharing Agreement

On January 18, 2010, the District entered into a Tap Fee Revenue Sharing Agreement (the "Agreement") with Dotsero Realty Partners, LLLP whereby the District shall remit 75% of future tap fees unless the District uses such tap fees 1) to repay any developer advances; and 2) to establish a reserve escrow up to \$416,000 for sewer improvements to the existing sewer plant and lift station, subject to adjustment as described in the Agreement. The value of the total available water capacity, at 75% of the current \$5,000 water tap fee is \$1,569,375. The value of the total available sewer capacity, at 75% of the current \$5,000 sewer tap fee is \$2,017,500. On January 20, 2011, the District approved the assignment of the Agreement from Dotsero Realty Partners, LLLP to the 2 Rivers Realty, L.P.

4. Limited Tax General Obligation Loan, Series 2024

The Series 2024 Loan (the "Loan") is a general obligation loan of the District, payable from ad valorem property taxes without limitation on property located within the District. The interest rate on the Loan is 5.53%, per annum, which is subject to 10-year reset period rate adjustments on December 1, 2033 and December 1, 2043. Interest is payable June 1 and December 1 and principal is payable December 1 of each year. The loans were to be used to (1) repay the developer \$1,300,000 of the outstanding loan balances, (2) construct \$700,000 of improvements to the District wastewater treatment plant, and (3) cover the cost of issuance totaling \$115,000. The loan will be repaid over 30 years with the final payment December 1, 2053. The initial interest rate is 5.53% through December 1, 2033 and will be adjusted to market conditions after that date.

5. Annual Debt Service Requirements

Debt service requirements to maturity at December 31, 2024 for bonds associated with the District's governmental activities are as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	3,844	44,513	6,156	71,285
2026	4,997	44,300	8,003	70,945
2027	4,997	44,024	8,003	70,502
2028	6,535	43,748	10,465	70,060
2029	6,535	43,386	10,465	69,481
2030 - 2034	56,506	202,623	90,494	324,490
2035 - 2039	118,010	152,412	188,990	244,083
2040 - 2044	162,986	122,021	261,014	195,409
2045 - 2049	217,186	80,696	347,814	129,229
2050 - 2053	223,337	25,808	357,663	41,332
Total	804,933	803,531	1,289,067	1,286,816

Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

6. Schedule of Long-term Liabilities

	Balance at 12/31/23	Additions	Deletions	Balance at 12/31/24	Due Within One Year
Governmental Activities:					
Developer operating advances	438,290	-	(438,290)	-	-
Developer infrastructure payable	2,523,000	-	(2,523,000)	-	-
Loans payable	-	804,854	-	804,854	3,844
Accrued compensated absences*	2,129	1,234	-	3,363	841
Total Governmental Activities	2,963,419	806,088	(2,961,290)	808,217	4,685

* change in accrued compensated absences is reported net

	Balance at 12/31/23	Additions	Deletions	Balance at 12/31/24	Due Within One Year
Business-type Activities:					
Developer operating advances	246,591	-	(246,591)	-	-
Developer Infrastructure payable	1,800,000	-	(1,800,000)	-	-
Loans payable	-	1,289,146	-	1,289,146	6,156
Total Business-type Activities	2,046,591	1,289,146	(2,046,591)	1,289,146	6,156

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The District has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The District is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions.

B. Related Parties

The Developer's representatives make up the majority of the members of the Board of Directors.

C. Cost Sharing Agreement with Two Rivers Homeowners Association

Effective January 1, 2020, the District and Two Rivers Homeowners Owners Association ("TRHOA") entered a Cost Sharing Agreement. Under the agreement, the District will contract for services or hire an employee or employees to provide certain services and functions to the Two Rivers community as listed on Exhibit A of the agreement and that the cost of such services and functions shall be borne equally by the District and TRHOA. The agreement will renew annually until terminated by either party as set forth in the agreement.

TRHOA will reimburse TRMD for 50% of the cost of the services listed on Exhibit A of the agreement after applying a credit for the Excess Revenues as defined in the agreement, such credit to be applied over a multiple year period until a credit equal to the full amount of the Excess Revenues has been applied. The cost of the services will be invoiced periodically by TRMD but no less frequently than annually. Invoices submitted to TRHOA are due within 30 days of receipt. The total cost reimbursement from TRHOA to TRMD in 2024 was \$127,966.

**Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2024
(continued)**

IV. Other Information (continued)

D. Infrastructure and Recreation Usage Fee

The District's Board of Directors approved a resolution on April 14, 2020 to impose a monthly Infrastructure and Recreation Usage Fee of \$39 per lot, effective July 1, 2023.

The fee will be used to pay for road repairs, maintenance expenses, snow plowing, landscaping, and the design, construction, operation and maintenance of public park and recreation facilities and programs.

E. Subsequent Events

Management has evaluated subsequent events through the date these financial statements were available to be issued.

F. Reclassification of Certain Items

Certain items from 2023 have been reclassified between categories, with no effect to net position or fund balance, to be consistent with current presentation.

REQUIRED SUPPLEMENTARY INFORMATION

Two Rivers Metropolitan District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2024
(With Comparative Totals For the Year Ended 2023)

	2024		Final Budget Variance Positive (Negative)	2023
	Original & Final Budget	Actual		Actual
Revenues:				
Property taxes	184,539	184,626	87	132,127
Sales taxes	-	-	-	-
Specific ownership taxes	7,863	8,526	663	7,570
Interest	21,728	35,127	13,399	28,004
Other income	4,314	5,835	1,521	5,037
Community Center rentals	8,385	10,620	2,235	7,070
Reimbursement from TRHOA	57,527	99,512	41,985	49,769
Ground lease	2,256	2,278	22	2,190
Total Revenues	286,612	346,524	59,912	231,767
Expenditures:				
General government:				
Accounting	78,278	90,148	(11,870)	78,077
Legal	7,210	15,008	(7,798)	12,922
Administrative	16,790	6,468	10,322	6,664
Insurance	20,651	20,691	(40)	19,913
Treasurer fee's	5,241	5,544	(303)	3,966
Wages	108,143	95,451	12,692	93,701
Payroll taxes	5,370	4,046	1,324	2,874
Elections	-	464	(464)	1,131
Website	-	767	(767)	-
Allocation of overhead	(188,701)	(194,003)	5,302	(181,686)
Debt service:				
Principal payments - developer	1,300,000	768,724	531,276	-
Principal payments - loan	52,563	8,072	44,491	-
Interest payments - loan	100,000	31,346	68,654	-
Issuance costs - loan	100,000	44,202	55,798	-
Capital outlay	-	97,037	(97,037)	-
Total Expenditures	1,605,545	993,965	611,580	37,562
Excess (Deficiency) of Revenues Over Expenditures	(1,318,933)	(647,441)	671,492	194,205
Other Financing Sources (Uses):				
Loan proceeds	2,100,000	812,925	(1,287,075)	-
Transfers (out)	(750,000)	-	750,000	-
Total Other Financing Sources (Uses)	1,350,000	812,925	(537,075)	-
Net Change in Fund Balance	31,067	165,484	134,417	194,205
Fund Balance - Beginning	543,208	599,285	56,077	405,080
Fund Balance - Ending	574,275	764,769	190,494	599,285

Two Rivers Metropolitan District
Schedule of Revenues and Expenditures
Budget and Actual - Sales Tax Fund
For the Year Ended December 31, 2024
(With Comparative Totals For the Year Ended 2023)

	2024		Final Budget Variance Positive (Negative)	2023
	Original & Final Budget	Actual		Actual
Revenues:				
Sales tax	187,200	225,733	38,533	182,658
Interest	4,199	7,556	3,357	6,663
Reimbursement from TRHOA	3,000	600	(2,400)	26,522
Total Revenues	<u>194,399</u>	<u>233,889</u>	<u>39,490</u>	<u>215,843</u>
Expenditures:				
Repairs and maintenance	111,238	128,913	(17,675)	131,336
Utilities	3,644	5,390	(1,746)	2,128
Snowplowing	22,075	10,832	11,243	10,450
Allocation of overhead	37,740	38,965	(1,225)	36,337
Contingency	20,000	-	20,000	-
Capital outlay	131,600	-	131,600	-
Total Expenditures	<u>326,297</u>	<u>184,100</u>	<u>142,197</u>	<u>180,251</u>
Excess (Deficiency) of Revenues Over Expenditures	(131,898)	49,789	181,687	35,592
Other Financing Sources (Uses):				
Transfers in	50,000	-	(50,000)	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Net Change in Fund Balance	(81,898)	49,789	131,687	35,592
Fund Balance - Beginning	<u>104,965</u>	<u>188,057</u>	<u>83,092</u>	<u>152,465</u>
Fund Balance - Ending	<u><u>23,067</u></u>	<u><u>237,846</u></u>	<u><u>214,779</u></u>	<u><u>188,057</u></u>

SUPPLEMENTARY INFORMATION

Two Rivers Metropolitan District
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Water and Sewer Fund
For the Year Ended December 31, 2024
(With Comparative Totals For the Year Ended 2023)

	2024		2023	
	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Operating Revenues:				
Water and sewer fees	427,424	430,932	3,508	408,074
Finance charges	4,080	5,928	1,848	5,744
Miscellaneous income	-	4,039	4,039	1,457
Total Operating Revenues	431,504	440,899	9,395	415,275
Operating Expenses:				
Operation:				
Plant operator	87,204	77,548	9,656	72,059
Permits and fees	13,235	12,947	288	12,535
Meter expenses	8,140	7,284	856	6,883
Engineering	4,800	6,189	(1,389)	1,753
Repairs and maintenance	125,619	61,905	63,714	53,754
Utilities	46,694	39,917	6,777	41,305
Sludge hauling	57,750	39,791	17,959	54,564
Plant operating expense	-	-	-	1,184
Legal	6,000	-	6,000	-
Allocation of overhead	113,221	116,073	(2,852)	109,012
Contingency	62,000	-	62,000	-
Total Operation Expense	524,663	361,654	163,009	353,049
Capital:				
Infrastructure	2,260,547	335,818	1,924,729	68,619
Total Capital Expense	2,260,547	335,818	1,924,729	68,619
Total Operating & Capital Expenses	2,785,210	697,472	2,087,738	421,668
Operating Income (Loss):	(2,353,706)	(256,573)	2,097,133	(6,393)
Non-operating Revenue (Expense):				
Interest	61,732	100,586	38,854	84,233
Grants	325,000	-	(325,000)	-
Interest expense	-	(5,630)	5,630	-
Cost of issuance	-	(81,626)	81,626	-
Total Non-operating Revenue (Expense)	386,732	13,330	(198,890)	84,233
Income (loss) before Contributions and Transfers	(1,966,974)	(243,243)	1,898,243	77,840
Contributions and Transfers:				
Tap fees	720,538	-	(720,538)	-
Transfers in	700,000	-	(700,000)	-
Total Contributions and Transfers	1,420,538	-	(1,420,538)	-
Change in net position	(546,436)	(243,243)	477,705	77,840
Reconciliation to GAAP Basis:				
Capital outlay		335,818		65,170
Bad debt		(3,534)		-
Depreciation		(161,986)		(159,292)
Change in Net Position - GAAP Basis		(72,945)		(16,282)

Two Rivers Metropolitan District
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Infrastructure & Recreation Fund
For the Year Ended December 31, 2024
(With Comparative Totals For the Year Ended 2023)

	<u>2024</u>		<u>2023</u>	
	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Operating Revenues:				
Infrastructure and recreation fees	87,696	92,578	4,882	121,977
TRHOA operating payments	32,678	27,854	(4,824)	34,484
Total Operating Revenues	<u>120,374</u>	<u>120,432</u>	<u>58</u>	<u>156,461</u>
Operating Expenses:				
Operation:				
Community center improvements	12,100	3,630	8,470	13,094
Repairs and maintenance	32,320	26,687	5,633	23,489
Utilities	15,549	14,445	1,104	16,853
Community park lease	-	492	(492)	7,267
Cleaning	5,443	6,270	(827)	5,190
Miscellaneous expense	8,743	7,109	1,634	3,149
Allocation of overhead	37,740	38,965	(1,225)	36,337
Contingency	25,000	-	25,000	-
Total Operation Expenses	<u>136,895</u>	<u>97,598</u>	<u>39,297</u>	<u>105,379</u>
Capital:				
Infrastructure	95,000	-	95,000	-
Total Capital Expenses	<u>95,000</u>	<u>-</u>	<u>95,000</u>	<u>-</u>
Total Operating & Capital Expenses	<u>231,895</u>	<u>97,598</u>	<u>134,297</u>	<u>105,379</u>
Non-operating Revenue (Expense):				
Interest	6,393	4,141	(2,252)	3,471
Total Non-operating Revenue (Expense)	<u>6,393</u>	<u>4,141</u>	<u>(2,252)</u>	<u>3,471</u>
Change in Net Position	<u>(111,521)</u>	26,975	<u>134,355</u>	51,082
Adjustment to GAAP Basis:				
Depreciation		-		-
Change in Net Position - GAAP Basis		<u>26,975</u>		<u>51,082</u>