

PINECREST METROPOLITAN DISTRICT

Jefferson County, Colorado

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024


PINECREST METROPOLITAN DISTRICT


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Independent Auditors' Report

Members of the Board of Directors
Pinecrest Metropolitan District
Jefferson County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pinecrest Metropolitan District (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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 basic financial statements. The budgetary comparison schedule for the Capital Projects Fund is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the Capital Projects Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the Schedule of Debt Service Requirements to Maturity. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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.

Haynie & Company

Littleton, Colorado
September 30, 2025

BASIC FINANCIAL STATEMENTS

PINECREST METROPOLITAN DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2024

	Governmental Activities
ASSETS	
Cash and investments	\$ 76,754
Property taxes receivable	132,536
Receivable from county treasurer	518
Capital assets, net of depreciation	2,512,119
Total assets	2,721,927
 LIABILITIES	
Accounts payable	3,082
Accrued interest payable on loan/bonds	8,155
Non-current liabilities:	
Due in more than one year	2,692,119
Total liabilities	2,703,356
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	132,536
Total deferred inflows of resources	132,536
 NET POSITION	
Restricted for:	
Emergency reserves	3,000
Unrestricted	(116,965)
Total net position (deficit)	\$ (113,965)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PINECREST METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 99,498	\$ -	\$ -	\$ -	\$ (99,498)
Interest and expenses on long-term debt	174,476	-	-	-	(174,476)
	<u>\$ 273,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (273,974)</u>
General revenues:					
Property taxes					95,785
Specific ownership taxes					6,038
Interest					2,002
Total general revenues					<u>103,825</u>
Change in net position					<u>(170,149)</u>
Net position - beginning					<u>56,184</u>
Net position - ending - deficit					<u>\$ (113,965)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PINECREST METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 63,090	\$ -	\$ 13,664	\$ 76,754
Property taxes receivable	44,179	88,357	-	132,536
Receivable from county treasurer	518	-	-	518
Total assets	107,787	88,357	13,664	209,808
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	3,082	-	-	3,082
Total liabilities	3,082	-	-	3,082
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	44,179	88,357	-	132,536
Total deferred inflows of resources	44,179	88,357	-	132,536
FUND BALANCES				
Restricted for:				
Emergency reserve	3,000	-	-	3,000
Unrestricted	57,526	-	13,664	71,190
Total fund balances	60,526	-	13,664	74,190
TOTAL LIABILITIES AND FUND BALANCES	\$ 107,787	\$ 88,357	\$ 13,664	

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, are not reported in the funds.

2,512,119

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:

Loan/Bonds payable

(1,050,000)

Developer advance payable

(1,642,119)

Accrued interest on loan/bonds payable

(8,155)

Net position (deficit) of governmental activities

\$ (113,965)

These financial statements should be read only in connection with
the accompanying notes to financial statements

PINECREST METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 95,785	\$ -	\$ 95,785
Specific ownership tax	6,038	-	6,038
Developer advance	-	2,512,119	2,512,119
Interest	2,002	-	2,002
Total Revenues	<u>103,825</u>	<u>2,512,119</u>	<u>2,615,944</u>
EXPENDITURES			
General			
District management and accounting	15,796	-	15,796
Audit	-	-	-
County treasurer fees	1,467	-	1,467
Dues and subscriptions	821	-	821
Legal	76,637	-	76,637
Road maintenance	4,717	-	4,717
Miscellaneous/Contingency	45	15	60
Capital improvements	-	2,512,119	2,512,119
Cost of issuance	-	166,321	166,321
Total Expenditures	<u>99,483</u>	<u>2,678,455</u>	<u>2,777,938</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>4,342</u>	<u>(166,336)</u>	<u>(161,994)</u>
OTHER FINANCING SOURCES (USES)			
Loan/Bond proceeds - 2024	-	1,050,000	1,050,000
Developer advance reimbursement	-	(870,000)	(870,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>180,000</u>	<u>180,000</u>
NET CHANGES IN FUND BALANCES	<u>4,342</u>	<u>13,664</u>	<u>18,006</u>
FUND BALANCES - BEGINNING OF YEAR	<u>56,184</u>	<u>-</u>	<u>56,184</u>
FUND BALANCES - END OF YEAR	<u>\$ 60,526</u>	<u>\$ 13,664</u>	<u>\$ 74,190</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements

**PINECREST METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2024**

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

Net change in fund balance - Total governmental funds	\$	18,006
<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. During the current period, this is the amount of capital outlay:</p>		
Capital improvements		2,512,119
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Issuance of debt		(1,050,000)
Developer advance		(2,512,119)
Developer reimbursement		870,000
<p>Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net change in accrued interest on bonds payable		(8,155)
Change in net position (deficit) of governmental activities	\$	(170,149)

These financial statements should be read only in connection with the accompanying notes to financial statements.

PINECREST METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2024

	Budgeted Amounts <u>Original & Final</u>	YTD <u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property tax	\$ 93,129	\$ 95,785	\$ 2,656
Specific ownership tax	7,000	6,038	(962)
Interest	1,500	2,002	502
Total Revenues	<u>101,629</u>	<u>103,825</u>	<u>2,196</u>
EXPENDITURES			
District management and accounting	38,000	15,796	22,204
Audit	1,000	-	1,000
County treasurer fees	1,400	1,467	(67)
Dues and subscriptions	750	821	(71)
Insurance and bonds	7,000	-	7,000
Landscaping	25,000	-	25,000
Legal	18,000	76,637	(58,637)
Road maintenance	7,000	4,717	2,283
Website/support	1,500	-	1,500
Miscellaneous/Contingency	1,500	45	1,455
Total Expenditures	<u>101,150</u>	<u>99,483</u>	<u>1,667</u>
NET CHANGE IN FUND BALANCE	<u>479</u>	<u>4,342</u>	<u>3,863</u>
FUND BALANCE - BEGINNING OF YEAR	<u>37,673</u>	<u>56,184</u>	<u>18,511</u>
FUND BALANCE - END OF YEAR	<u>\$ 38,152</u>	<u>\$ 60,526</u>	<u>\$ 22,374</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. DEFINITION OF REPORTING ENTITY

The Pinecrest Metropolitan District (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on September 21, 2021. The District was organized to provide for the construction and financing of street, safety control, non-potable water and landscaping improvements. The District's service area is located within Jefferson County, Colorado.

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 is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are as follows:

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 government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all of the financial and capital resources of the District. The difference between the assets and the liabilities and deferred inflows of resources is reported as net position.

The statement of activities demonstrates the degree to which 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) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Separate financials are provided for governmental funds.

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation — The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

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 period or soon enough thereafter to pay liabilities of the current fiscal 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. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following major governmental funds:

General Fund – The General Fund is the government's general operating fund. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on the long-term general obligation debt.

Capital Projects Fund - The capital projects fund accounts for the financial resources to be used for the acquisition and construction of capital infrastructure

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

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

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

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

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 inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Cash and Investments — The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. The District's investments are reported at net asset value (NAV).

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

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.

Fund Balance Classification — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classification 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:

Non-spendable – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

Restricted – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned – 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

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

are classified as committed.

Unassigned – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

The District's cash and investments are classified in the accompanying financial statements as follows as of December 31, 2024:

Statement of net position:	
Cash and investments	\$ 76,754
Total cash and investments	<u>\$ 76,754</u>

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

Deposits	\$ 76,754
Total cash and investments	<u>\$ 76,754</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. As of December 31, 2024, the federal insurance limit was \$250,000. The eligible collateral is determined by the 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 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2024, the District’s cash deposits had a carrying balance of \$76,754 and a bank balance of \$117,060, of which the entire amount was FDIC insured.

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

Investments – The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments. The District generally limits its investments to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the district is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk 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. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

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

As of December 31, 2024, the District had no investments.

4. CAPITAL ASSETS

An analysis of the changes in net capital assets for the year ended December 31, 2024 follows:

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 2,512,119	\$ -	\$ 2,512,119
Total capital assets, not being depreciated	<u>\$ -</u>	<u>\$ 2,512,119</u>	<u>\$ -</u>	<u>\$ 2,512,119</u>

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

5. LONG-TERM LIABILITIES

The following is an analysis of 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
Limited tax general obligation loan - Series 2024	\$ -	\$ 1,050,000	\$ -	\$ 1,050,000	\$ -
	\$ -	\$ 1,050,000	\$ -	\$ 1,050,000	\$ -
Developer advances payable - Developer advance	\$ -	\$ 2,512,119	\$ 870,000	\$ 1,642,119	\$ -
	\$ -	\$ 2,512,119	\$ 870,000	\$ 1,642,119	\$ -
Long-term liabilities	\$ -	\$ 3,562,119	\$ (870,000)	\$ 2,692,119	\$ -

\$2,115,000 Limited Tax General Obligation Loan, Series 2024 — On November 7, 2024, the District acquired a \$2,115,000 Limited Tax General Obligation loan. During 2024, the District took a draw on the loan for \$1,050,000. The 2024 loan bears an interest rate of 5.25%. Interest payments are due on June 1 and December 1 of each year, principal payments are due on December 1. The loan matures on December 1, 2044.

The loan constitutes a limited tax general obligation of the District payable from Pledged Revenue. Pledged revenue includes all Property Tax Revenues, all Specific Ownership Tax Revenues, and any other legally available moneys which the District determines, in its absolute discretion to credit to the Bond Fund.

The following are considered to be events of default under the bond agreement:

- (a) The issuer fails or refuses to impose the applicable Senior Required Mill Levy or to apply Senior Pledged Revenue as required by the Senior Indenture, or any other Taxing District fails or refuses to impose the Senior Required Mill Levy or to apply the revenues resulting therefore as required by the Senior Pledge Agreement.
- (b) The issuer defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of the issuer in the Senior Indenture or the Bond Resolution and fails to remedy the same after notice thereof pursuant to the Senior Indenture, or any other Taxing District defaults in the performance or observance of any other of the covenants, agreements or conditions on the part of such Taxing District in the Senior Pledge Agreement and fails to remedy the same after notice thereof pursuant to the Senior Indenture.
- (c) The issuer files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bond.

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

The long-term debt will mature as follows:

	Series 2024		
	Limited Tax General Obligation Loan		
	Principal	Interest	Total
2025	\$ -	\$ 58,800	\$ 58,800
2026	-	55,125	55,125
2027	5,186	55,125	60,311
2028	30,923	54,853	85,776
2029	32,546	53,229	85,775
2030-2034	215,624	236,801	452,425
2035-2039	315,372	170,315	485,687
2040-2044	450,349	74,138	524,487
	<u>\$ 1,050,000</u>	<u>\$ 758,386</u>	<u>\$ 1,808,386</u>

6. DEBT AUTHORIZATION

On November 2, 2021, the electors of the District, authorized the issuance of indebtedness in an amount not to exceed \$42,749,216 for improvements. The maximum debt authorized, pursuant to the terms of the Service Plan, is \$3,395,768. As of December 31, 2024, the District had \$2,345,768 remaining authority under the Service Plan.

7. AGREEMENTS

Infrastructure Acquisition and Funding Agreement — On November 2, 2022, the District entered into an Infrastructure Acquisition and Funding Agreement with Pinecrest Townhomes, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance funds to the District. The funds advanced under the agreement shall be applied to capital costs of the District as established in the Districts’ annual budgets. Amounts advanced under the terms of the agreement shall bear an interest rate of 7%.

8. NET POSITION

The District’s net position includes two components: restricted and unrestricted. Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$3,000 of December 21, 2024.

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2024, the District had unrestricted net position of (\$116,965). The negative unrestricted net position is a result of the District carrying debt for capital improvements that will be conveyed to another government entity.

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

This deficit is due to the effects of the District's bond indebtedness, which is an obligation of the District. The proceeds will be used to reimburse the developer for the construction of capital assets that will be conveyed to other governmental entities. The deficit will be reduced through payment of the bond obligation as pledged tax revenues are received.

9. RELATED PARTY

The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District.

10. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District became a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2024. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

The District pays annual premiums to the Pool for liability 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.

11. TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

On November 2, 2021, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2021 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain

PINECREST METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 (continued)

interpretations of the amendment's language in order to determine its compliance.

12. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2025, the date which the financial statements were issued.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

PINECREST METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2024

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>YTD Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Developer advance	\$ -	\$ 2,512,119	\$ 2,512,119	\$ -
Total Revenues	<u>-</u>	<u>2,512,119</u>	<u>2,512,119</u>	<u>-</u>
EXPENDITURES				
Capital Improvements	-	2,512,119	2,512,119	-
Cost of issuance	-	166,321	166,321	-
Miscellaneous	-	15	15	-
Total Expenditures	<u>-</u>	<u>2,678,455</u>	<u>2,678,455</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(166,336)</u>	<u>(166,336)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Loan/Bond proceeds - Series 2024	-	1,050,000	1,050,000	-
Developer advance reimbursement	-	(870,000)	(870,000)	-
Total other financing sources (uses)	<u>-</u>	<u>180,000</u>	<u>180,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>13,664</u>	<u>13,664</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 13,664</u>	<u>\$ 13,664</u>	<u>\$ -</u>

OTHER INFORMATION

PINECREST METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2024

\$1,050,000 Series 2024
Limited Tax General Obligation Loan
Dated November 7, 2024
Interest Rate of 5.25%
Payable on June 1 and December 1
Principal Due on December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 58,800	\$ 58,800
2026	-	55,125	55,125
2027	5,186	55,125	60,311
2028	30,923	54,853	85,776
2029	32,546	53,229	85,775
2030	36,828	51,521	88,349
2031	38,762	49,587	88,349
2032	43,447	47,552	90,999
2033	45,728	45,271	90,999
2034	50,859	42,870	93,729
2035	53,529	40,200	93,729
2036	59,151	37,390	96,541
2037	62,257	34,285	96,542
2038	68,421	31,016	99,437
2039	72,014	27,424	99,438
2040	78,777	23,643	102,420
2041	82,913	19,508	102,421
2042	90,339	15,155	105,494
2043	95,082	10,412	105,494
2044	103,238	5,420	108,658
	<u>\$ 1,050,000</u>	<u>\$ 758,386</u>	<u>\$ 1,808,386</u>