

CANAL AVENUE METROPOLITAN DISTRICT
ADAMS COUNTY, COLORADO

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
DECEMBER 31, 2024

CANAL AVENUE METROPOLITAN DISTRICT

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT FOR THE YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Canal Avenue Metropolitan District
Adams County, Colorado

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and each major fund of Canal Avenue Metropolitan 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 my 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 Canal Avenue Metropolitan District as of December 31, 2024, and the changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Canal Avenue Metropolitan District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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, 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 Canal Avenue Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my 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, I:

- 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 Canal Avenue Metropolitan 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canal Avenue Metropolitan District's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

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

operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Canal Avenue Metropolitan District's basic financial statements. The supplementary budget comparison schedules identified in the table of contents are presented to supplement the basic financial statements and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scott Wright

Salida, Colorado
October 1, 2025

CANAL AVENUE METROPOLITAN DISTRICT

STATEMENT OF NET POSITION DECEMBER 31, 2024

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 233,517
Receivables	260,632
Prepaid Items	3,256
Restricted Assets - Cash and Cash Equivalents	10,475
Capital Assets, net of accumulated depreciation:	
Nondepreciable	7,505,417
Depreciable	4,860,846
	<hr/>
Total Assets	12,874,143
LIABILITIES	
Accounts Payable	5,015
Accrued Interest Payable	138,302
Noncurrent Liabilities:	
Due Within One Year	10,000
Due In More Than One Year	15,329,730
	<hr/>
Total Liabilities	15,483,047
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	259,656
	<hr/>
NET POSITION	
Net Investment in Capital Assets	(2,973,467)
Restricted For:	
Emergencies	9,255
Debt Service	10,475
Unrestricted (Deficit)	85,177
	<hr/>
Total Net Position (Deficit)	\$ (2,868,560)

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

ROAM METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 40,888	\$ -	\$ -	\$ -	\$ (40,888)
Operations and Maintenance	233,135	-	-	-	(233,135)
Interest and Related Costs on Long-term Debt	1,188,137	-	-	-	(1,188,137)
Total Governmental Activities	<u>\$ 1,462,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,462,160)</u>
General Revenues:					
					259,625
					11,701
					1,108
					<u>272,434</u>
					Increase (Decrease) in Net Position
					(1,189,726)
					Net Position (Deficit) - Beginning of Year
					<u>(1,678,834)</u>
					Net Position (Deficit) - End of Year
					<u>\$ (2,868,560)</u>

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

CANAL AVENUE METROPOLITAN DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 233,517	\$ -	\$ -	\$ 233,517
Receivables:				
Property Taxes	118,834	141,798	-	260,632
Prepaid Items	3,256	-	-	3,256
Restricted Assets - Cash and Cash Equivalents	-	10,475	-	10,475
Total Assets	\$ 355,607	\$ 152,273	\$ -	\$ 507,880
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ 5,015	\$ -	\$ -	\$ 5,015
Total Liabilities	5,015	-	-	5,015
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	117,858	141,798	-	259,656
Total Deferred Inflows of Resources	117,858	141,798	-	259,656
FUND BALANCES				
Nonspendable:				
Prepaid Items	3,256	-	-	3,256
Restricted For:				
TABOR Emergency Reserve	9,255	-	-	9,255
Debt Service	-	10,475	-	10,475
Unassigned	220,223	-	-	220,223
Total Fund Balances	232,734	10,475	-	243,209
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 355,607	\$ 152,273	\$ -	\$ 507,880

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

CANAL AVENUE METROPOLITAN DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2024

	<u>Total</u>
Total Fund Balances - Governmental Funds	\$ 243,209
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported as an asset in the governmental funds.	
- Capital Assets	12,663,614
- Accumulated Depreciation	<u>(297,351)</u>
	<u>12,366,263</u>
Some liabilities, including bonds, notes and leases payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
- Direct Borrowings Payable	(2,500,000)
- Developer Advances	<u>(12,839,730)</u>
	<u>(15,339,730)</u>
Accrued interest payable on long-term debt is recognized for governmental activities but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	<u>(138,302)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (2,868,560)</u></u>

CANAL AVENUE METROPOLITAN DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Taxes:				
General Property Taxes	\$ 259,625	\$ -	\$ -	\$ 259,625
Specific Ownership Tax	11,701	-	-	11,701
Investment Earnings	1,108	-	-	1,108
Other Revenue:				
Developer Advances	36,064	-	-	36,064
Total Revenues	308,498	-	-	308,498
Expenditures				
Current:				
General and Administrative	40,863	25	-	40,888
Operations and Maintenance	34,901	-	-	34,901
Debt Service:				
Costs of Issuance	-	149,000	-	149,000
Capital Outlay - Developer Reimbursements	-	-	2,340,500	2,340,500
Total Expenditures	75,764	149,025	2,340,500	2,565,289
Excess (Deficiency) of Revenues Over (Under) Expenditures	232,734	(149,025)	(2,340,500)	(2,256,791)
Other Financing Sources (Uses)				
Debt Issuance Proceeds	-	2,500,000	-	2,500,000
Operating Transfers In	-	-	2,340,500	2,340,500
Operating Transfers Out	-	(2,340,500)	-	(2,340,500)
Total Other Financing Sources (Uses)	-	159,500	2,340,500	2,500,000
Net Change in Fund Balances	232,734	10,475	-	243,209
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ 232,734	\$ 10,475	\$ -	\$ 243,209

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

CANAL AVENUE 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

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Funds	<u>\$ 243,209</u>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, for governmental activities, those capital outlays other than noncapitalized items are shown in the Statement of Activities and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
- Depreciation	<u>(198,234)</u>
	<u>(198,234)</u>
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
- Issuance of Direct Borrowings	<u>(2,500,000)</u>
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.	
- Change in Accrued Interest Payable	<u>1,301,363</u>
Developer advances provide current financial resources to governmental funds. However, developer advances are reported as long-term liabilities in the Statement of Net Position.	<u>(36,064)</u>
Change in Net Position of Governmental Funds	<u><u>\$ (1,189,726)</u></u>

CANAL AVENUE METROPOLITAN DISTRICT

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
General Property Taxes	\$ 259,624	\$ 259,625	\$ 1
Specific Ownership Tax	-	11,701	11,701
Investment Earnings	-	1,108	1,108
Other Revenue:			
Developer Advances	75,000	36,064	(38,936)
Total Revenues	<u>334,624</u>	<u>308,498</u>	<u>(26,126)</u>
Expenditures			
Current:			
General and Administrative:			
Accounting	10,000	10,212	(212)
Election	1,000	-	1,000
Insurance	3,000	3,502	(502)
Dues/Subscriptions	2,000	-	2,000
Other Professional Fees	1,000	-	1,000
G&A	1,000	-	1,000
Legal	20,000	22,976	(2,976)
Miscellaneous	-	278	(278)
Treasurers Fees	-	3,895	(3,895)
Operations and Maintenance:			
Irrigation	25,000	16,428	8,572
Landscaping	25,000	13,073	11,927
Maintenance	-	5,400	(5,400)
Pond Maintenance	2,500	-	2,500
Box Culvert Maintenance	2,500	-	2,500
Lift Station Maintenance	6,000	-	6,000
Replacement Reserve	5,000	-	5,000
Contingency	71,000	-	71,000
Total Expenditures	<u>175,000</u>	<u>75,764</u>	<u>99,236</u>
Net Change in Fund Balances	159,624	232,734	73,110
Fund Balances, Beginning of Year	-	-	-
Fund Balances, End of year	<u>\$ 159,624</u>	<u>\$ 232,734</u>	<u>\$ 73,110</u>

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

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

The financial statements of Canal Avenue Metropolitan District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. The following notes are an integral part of the District's financial statements.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As required by GAAP, these financial statements present the activities of Canal Avenue Metropolitan District, i.e., the primary government. The District does not have any component units for which the District is considered financially accountable, nor is the District a component unit of any other primary governmental entity.

Primary Government. Canal Avenue Metropolitan District, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court of Adams County, Colorado, on November 27, 2018, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) and the District's Service Plan, approved by the City of Commerce City, on September 17, 2018. The District was organized to design, acquire, construct, install, relocate, redevelop, and finance public improvements. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors, has no employees, and all operations and administrative functions are contracted. The more significant accounting policies of the District are described as follows:

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business segment are offset by program revenues and helps identify the extent to which each is self-financing or draws from the general revenues of the District. Direct expenses are those that are clearly identifiable with a specific function or business segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Fund financial statements report detailed information about the District with the focus on major funds rather than on reporting funds by type. Separate

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

financial statements are provided for governmental funds. The District has no proprietary or fiduciary funds. Individual governmental funds are reported as separate columns in the fund financial statements.

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

Measurement Focus and Basis of Accounting. The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days). The major sources of revenue which are susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when the liability is incurred, as under full accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Financial Statement Presentation – Fund Accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. The District uses funds to report results of operations and financial position, and demonstrate compliance with legal, contractual, and regulatory requirements.

The District reports the following major governmental funds:

- *General Fund* - This is the District's primary operating fund. It is used to account for all activities of the District not required to be accounted for in another fund.
- *Debt Service Fund* - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.
- *Capital Projects Fund* – This fund is used to account for the acquisition and/or construction of major capital facilities and infrastructure.

D. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period that will not be recognized as an outflow of the resources (expenditure) until the future period. At the

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

end of the current fiscal year, the District did not have any items that qualify for reporting in this category.

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

The governmental funds also reported deferred inflows of resources representing unavailable property tax revenues.

Deferred outflows of resources are presented below the total assets on the government-wide and governmental fund statements. Deferred inflows of resources are presented below the total liabilities on the government-wide and governmental fund statements.

E. Cash, Cash Equivalents, and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District. Colorado State Statutes authorize the District to invest its excess funds in direct U.S. Government treasury and agency securities, bonds and other obligations of states and political subdivisions, corporate bonds, and local government investment pools. Investments are stated at fair value.

F. Capital Assets

The District's capital assets are recorded at cost if purchased or constructed. Contributed capital assets are valued at the estimated fair value at the time of the contribution. The District's capital assets consist of land, land improvements, landscaping, utilities, and streets and related infrastructure. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

G. Long-term Obligations

In the government-wide Statement of Net Position long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

H. Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned. These fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid/deferred charges) or are legally or contractually required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose but is neither restricted nor committed; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that do not meet any other of the above criteria and are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 7).

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

I. Budgetary Information

Budgets are adopted on a basis consistent with GAAP for all funds. According to Local Government Budget Law, the legal level of appropriations is at the total fund expenditures level and lapse at year-end. During the year, the District's Board of Directors can modify the budget by line item within a fund's total appropriation without notification.

Upon meeting notification and publication requirements, supplemental amendments increasing appropriations may be passed by resolution of the Board of Directors. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors.

J. 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 15th by certification to the County Commissioners to put the tax lien on the individual properties as of January 1st of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Note 2. Deposits and Investments

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

Cash and Cash Equivalents	\$ 233,517
Restricted Assets- Cash and Cash Equivalents	<u>10,475</u>
Total	<u>\$ 243,992</u>

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

Deposits With Financial Institutions	\$ 42,884
Deposits With Local Government Investment Pools	<u>201,108</u>
Total	<u>\$ 243,992</u>

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The District's deposits are entirely covered by federal deposit insurance or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The Federal Deposit Insurance Corporation (FDIC) insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. PDPA requires that cash be deposited in eligible public depositories and deposits in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds with the District being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA.

Local Government Investment Pools

The Colorado Local Government Liquid Asset Trust (COLOTRUST or the Trust) was organized in 1985 in accordance with the Investment Funds - Local Government Pooling Act, (Part 7, Article 75, Title 24, C.R.S.) to allow Colorado governmental entities to pool their funds to take advantage of short-term investments and maximize net interest earnings. The Trust is a professionally managed local government investment pool trust fund available only to governmental entities in Colorado. The Trust operates under the custodianship and oversight of a Board of Trustees comprised of participating local government officials and is not registered with the Securities and Exchange Commission (SEC). However, COLOTRUST operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. COLOTRUST is registered with the Securities Commissioner of the State of Colorado in accordance with the Local Government Investment Pool Trust Fund Administration and Enforcement Act (Part 9, Article 51, Title 11, C.R.S.).

The District participates in the COLOTRUST PLUS+ (PLUS+) portfolio, which may invest in U.S. Treasury securities, federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, commercial paper that, at the time of purchase, is rated in its highest rating category by at least two nationally recognized organizations which regularly rate such obligations, corporate bonds, and government money market funds rated 'AAAm.' PLUS+ maintains a stable net asset value (NAV) of \$1.00 per share using fair value as defined by the Financial Accounting Standards Board (FASB) ASC 820 "Fair Value Measurement and Disclosure". PLUS+ is rated AAAM by S&P Global Ratings. At

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

December 31, 2024, the District had \$201,108 invested in PLUS+. These funds are available for withdrawal upon demand and are not subject to withdrawal restrictions or notice periods.

Note 3. Legal Compliance – Budgets

No later than October 15, the District manager submits to the Board of Directors a proposed budget for the calendar year commencing the following January 1. The budget is prepared by fund and line item and includes information on the prior year, current year estimates and requested appropriations and estimated revenues for the upcoming year.

The Board of Directors holds public hearings and must adopt the budget by resolution prior to December 15. Once adopted, the Board may at any time, by resolution, amend the budget. The District had no supplemental appropriations during the year ended December 31, 2024.

Expenditures may not legally exceed budgeted appropriations at the fund level. Budgetary comparisons in the accompanying required supplemental information are presented with a higher level of detail than legally required to facilitate closer financial analysis.

Note 4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,500	\$ -	\$ -	\$ 1,500
Land Improvements	<u>7,503,917</u>	<u>-</u>	<u>-</u>	<u>7,503,917</u>
Total Capital Assets, Not Being Depreciated	<u>7,505,417</u>	<u>-</u>	<u>-</u>	<u>7,505,417</u>
Capital Assets, Being Depreciated:				
Landscaping	693,324	-	-	693,324
Utilities	2,466,477	-	-	2,466,477
Street Improvements	<u>1,998,396</u>	<u>-</u>	<u>-</u>	<u>1,998,396</u>
Total Capital Assets, Being Depreciated	<u>5,158,197</u>	<u>-</u>	<u>-</u>	<u>5,158,197</u>
Less Accumulated Depreciation:				
Landscaping	(23,122)	(46,245)	-	(69,367)
Utilities	(26,035)	(52,069)	-	(78,104)
Streets Improvements	<u>(49,960)</u>	<u>(99,920)</u>	<u>-</u>	<u>(149,880)</u>
Total Accumulated Depreciation	<u>(99,117)</u>	<u>(198,234)</u>	<u>-</u>	<u>(297,351)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,059,080</u>	<u>(198,234)</u>	<u>-</u>	<u>4,860,846</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,564,497</u>	<u>\$ (198,234)</u>	<u>\$ -</u>	<u>\$ 12,366,263</u>

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Note 5. Long-term Debt

General Obligation Loan. On November 26, 2024, the District entered into a loan agreement with NBH Bank pursuant to which the District incurred its Limited Tax General Obligation Loan, Series 2024 (Series 2024 Loan) totaling \$2,500,000. The Series 2024 Loan was issued to fund public improvements within the District.

The Series 2005 Bonds are secured by, and payable from, the Pledged Revenue consisting of funds derived by the District from the following sources (a) all revenue derived from imposition by the District of the Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (b) the District Specific Ownership tax revenue; and (c) any other legally available moneys of the District which the District determines, in its absolute discretion, to apply as Pledged Revenue.

The District has covenanted to levy an ad valorem mill levy upon all taxable property of the District in an amount sufficient to pay the annual debt requirements of the loan as the same become due and payable in each collection year, but, not in excess of 50 mills. In no event may the Required Mill Levy be imposed on any taxable property developed for a period exceeding forty (40) years after the initial imposition of the Required Mill Levy.

The Series 2024 Loan matures on December 1, 2031, and bears interest at a rate of 5.01% per annum from the date of issuance to maturity. Interest is payable semiannually to the extent of available pledged revenue on June 1st and December 1st, commencing on June 1, 2025.

General obligation loans currently outstanding at December 31, 2024, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General Government – Public Improvements	5.01%	<u>\$2,500,000</u>

Contract Funding and Reimbursement Agreements and Developer Advances

Operation Funding Agreement. On November 18, 2021, the District entered into the 2021-2022 Operation Funding Agreement (OFA) with 104 Commerce Park 1, LLC and 104 Commerce Park 2, LLC (Developer) with an effective date of January 1, 2021, whereby the Developer agreed to advance funds for operations, maintenance and administrative expenses on a periodic basis as needed for the fiscal years 2021 and 2022 up to an aggregate amount of \$125,000 (Shortfall Amount). The District and the Developer have subsequently entered into a Second Amendment to the 2021-2022 Operation Funding Agreement dated November 29, 2023, which increases the shortfall amount to \$250,000, extends the obligation of the Developer to fund the Shortfall Amount through December 31, 2024, and revises the term of the OFA to December 31, 2063.

Advances under the OFA accrue simple interest at a rate of eight percent (8.0%) per annum from the date of deposit into the District's account or date of direct payment by the Developer,

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

until paid. Payments to reimburse the Developer shall be made on December 2 of each year and shall be applied as follows: first to the accrued and unpaid interest and then to the principal amount due. Any obligation of the District to reimburse the Developer shall expire on December 31, 2063. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the OFA on or before December 31, 2063, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

At December 31, 2024, the District had developer advances payable under the OFA totaling \$179,098, which includes principal amounts of \$177,616 and \$1,482 of accrued interest.

Facilities Acquisition and Reimbursement Agreement. To assist with the financing of public improvements, the District and 104 Commerce Park 1, LLC and 104 Commerce Park 2, LLC (Developer) entered into a Facilities Funding and Reimbursement Agreement (FARA) dated April 13, 2022, with an effective date of November 18, 2021. Whereby, the parties acknowledge that the District does not have sufficient monies available to fund the cost of the improvements that are necessary for the development of the property within the District's boundaries, and that for reasons of economic efficiency and timeliness, it is in the District's best interests for the Developer to construct or cause construction of certain of the improvements. The estimated cost to complete construction of the improvements is Thirty Million Dollars (\$30,000,000) (the Shortfall Amount), and the Developer agrees to advance funds up to the Shortfall Amount to fund the construction.

The District agrees to reimburse the Developer for amounts advanced under this agreement. Advances bear simple interest at the rate of 8% per annum. Reimbursement payments to the Developer shall be credited first against accrued and unpaid interest and then to the principal amount due. In the event the District issues bonds rather than entering into a promissory note with the Developer regarding repayment of the Shortfall Amount, no payment shall be required of the District for advances made with respect to the FARA unless and until the District issues bonds in an amount sufficient to reimburse the Developer for all or a portion of the FARA advances.

In the event the District has not paid or reimbursed the Developer for any construction related expenses and/or verified costs by December 31, 2061, whether invoiced or not invoiced by such date, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

The FARA evidences an intent to reimburse the Developer but shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation for the purposes of Article X, Section 20 of the Colorado Constitution, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the District. At December 31, 2024, the District had amounts due to the Developer under the FARA totaling \$12,786,757, which includes principal amounts of \$12,662,114 and accrued interest of \$124,643.

CANAL AVENUE METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

The District and the Developer have subsequently renegotiated all prior agreements and have entered into a Second Amended and Restated Funding and Reimbursement Agreement dated November 29, 2023, which amends the obligation of the Developer to fund the Shortfall Amount through December 31, 2024.

Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings:					
Series 2024 Loan Payable	\$ -	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 10,000
Developer Advances:					
Operation Funding Agreement	141,552	36,064	-	177,616	-
Facilities Funding and Reimbursement Agreement	<u>12,662,114</u>	<u>-</u>	<u>-</u>	<u>12,662,114</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 12,803,666</u>	<u>\$ 2,536,064</u>	<u>\$ -</u>	<u>\$ 15,339,730</u>	<u>\$ 10,000</u>

Note 6. Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District maintains commercial insurance for significant insurable risks. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 7. Commitments and Contingencies

Tax, Spending and Debt Limitations. Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations 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

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has established an emergency reserve for the year ended December 31, 2024, in the amount of \$9,255.

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

Intergovernmental Agreement with the City of Commerce City. The District and the City of Commerce City (City) entered into an Intergovernmental Agreement (IGA) on February 2, 2019 as required by the District's Service Plan approved by the City on September 17, 2018. Among other provisions of the IGA, the parties agree that the District shall not issue debt in excess of Thirty Million Dollars (\$30,000,000); that the District shall not impose a public improvements fee, and that the District shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Trust Funds or other funds available from or through governmental or non-profit entities for which the City is eligible.

Note 8. Related Parties

The majority of the District's board members are officers, employees, or consultants for the Developer, 104 Commerce Park 1, LLC and 104 Commerce Park 2, LLC..

Note 9. Net Investment in Capital Assets

Net Investment in Capital Assets represents the District's capital assets (e.g., land, improvements, and infrastructure), net of accumulated depreciation, reduced by the outstanding debt that was issued to acquire, construct, or improve those assets. At year-end, the District reported a deficit Net Investment in Capital Assets of \$2,868,500. This deficit occurred because the District has outstanding debt that exceeds the carrying value of its capital assets. . During the fiscal year ended December 31, 2024, the District issued general obligation debt of \$2,500,000 in order to repay accrued interest on \$12,662,116 of Developer advances that were made for the construction of public improvements within the District. In addition, operating advances of \$177,616 have been made to the District by the Developer to fund operations and maintenance until such time that the District has adequate revenues to fund such expenses.

SUPPLEMENTARY INFORMATION

CANAL AVENUE METROPOLITAN DISTRICT

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
General Property Taxes	\$ -	\$ -	\$ -	\$ -
Specific Ownership Taxes	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Current:				
General and Administrative	-	-	25	(25)
Debt Service:				
Costs of Issuance	-	159,500	149,000	10,500
Total Expenditures	-	159,500	149,025	10,475
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(159,500)	(149,025)	10,475
Other Financing Sources (Uses)				
Debt Issuance Proceeds	-	2,500,000	2,500,000	-
Operating Transfers Out	-	(2,340,500)	(2,340,000)	500
Total Other Financing Sources (Uses)	-	159,500	160,000	500
Net Change in Fund Balances	-	-	10,975	10,975
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of year	\$ -	\$ -	\$ 10,975	\$ 10,975

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CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
General Property Taxes	\$ -	\$ -	\$ -	\$ -
Specific Ownership Taxes	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Capital Outlay - Developer Reimbursements	-	2,340,500	2,340,000	500
Contingency	-	-	-	-
Total Expenditures	-	2,340,500	2,340,000	500
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,340,500)	(2,340,000)	500
Other Financing Sources (Uses)				
Operating Transfers In	-	2,340,500	2,340,000	(500)
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of year	\$ -	\$ -	\$ -	\$ -