

Rock Metropolitan District

Financial Statements

December 31, 2024

**Rock Metropolitan District
Financial Statements
December 31, 2024**

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McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Rock Metropolitan District
El Paso County, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Rock 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 thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 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
Rock Metropolitan District

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 U.S. 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 U.S. GAAS, we:

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

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

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 opinion on the basic financial statements is not affected by this missing information.

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.

**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Rock Metropolitan District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparisons in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
October 13, 2025**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Rock Metropolitan District
Statement of Net Position
December 31, 2024**

Assets:

Cash and equivalents - Unrestricted	30,106
Amounts due from County	42
Property taxes receivable	72,380
Prepaid expenses	2,076
Total Assets	<u>104,604</u>

Liabilities:

Current liabilities due in less than one year:	
Accounts payable	8,101
Accrued interest payable	5,088
Non-current liabilities due in excess of one year:	
Developer advances	116,999
Total Liabilities	<u>130,188</u>

Deferred Inflow of Resources:

Property tax revenue	72,380
Total Deferred Inflow of Resources	<u>72,380</u>

Net Position:

Restricted for emergencies	1,987
Unrestricted	(78,610)
Total Net Position	<u>(97,964)</u>

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

Rock 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	Net (Expense) Revenue
Functions/Programs:					
Governmental activities:					
General government	45,230	-	-	-	(45,230)
Public works	6,423	-	-	-	(6,423)
Interest on long-term debt	4,407	-	-	-	(4,407)
Total primary government	56,060	-	-	-	(56,060)
General revenues:					
Taxes:					
Property tax					5,425
Specific ownership tax					509
Interest income					659
Total General Revenues					6,593
Change in Net Position					(49,467)
Net Position - Beginning					(48,497)
Net Position - Ending					(97,964)

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

FUND FINANCIAL STATEMENTS

**Rock Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2024**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and equivalents - Unrestricted	30,106	-	-	30,106
Amounts due from County	42	-	-	42
Property taxes receivable	12,063	60,317	-	72,380
Prepaid expenditures	2,076	-	-	2,076
Total Assets	<u>44,287</u>	<u>60,317</u>	<u>-</u>	<u>104,604</u>
Liabilities, Deferred Inflow of Resources, and				
Liabilities:				
Accounts payable	8,101	-	-	8,101
Total Liabilities	<u>8,101</u>	<u>-</u>	<u>-</u>	<u>8,101</u>
Deferred Inflow of Resources:				
Unavailable property tax revenue	12,063	60,317	-	72,380
Total Deferred Inflow of Resources	<u>12,063</u>	<u>60,317</u>	<u>-</u>	<u>72,380</u>
Fund Balances:				
Nonspendable	2,076	-	-	2,076
Restricted for emergencies	1,987	-	-	1,987
Unassigned	20,060	-	-	20,060
Total Fund Balances	<u>24,123</u>	<u>-</u>	<u>-</u>	<u>24,123</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>44,287</u>	<u>60,317</u>	<u>-</u>	<u>104,604</u>

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

**Rock Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2024**

Governmental Funds Total Fund Balance 24,123

Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Developer advances	(116,999)	
Accrued interest payable	<u>(5,088)</u>	
		<u>(122,087)</u>

Net Position of Governmental Activities (97,964)

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	5,425	-	-	5,425
Specific ownership taxes	509	-	-	509
Interest income	659	-	-	659
Total Revenues	<u>6,593</u>	<u>-</u>	<u>-</u>	<u>6,593</u>
Expenditures:				
General government	45,230	-	-	45,230
Public works	-	-	6,423	6,423
Total Expenditures	<u>45,230</u>	<u>-</u>	<u>6,423</u>	<u>51,653</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(38,637)</u>	<u>-</u>	<u>(6,423)</u>	<u>(45,060)</u>
Other Financial Sources (Uses):				
Developer advances	59,635	-	13,792	73,427
Total Other Financing Sources (Uses)	<u>59,635</u>	<u>-</u>	<u>13,792</u>	<u>73,427</u>
Net Change in Fund Balances	20,998	-	7,369	28,367
Fund Balances - Beginning	<u>3,125</u>	<u>-</u>	<u>(7,369)</u>	<u>(4,244)</u>
Fund Balances - Ending	<u>24,123</u>	<u>-</u>	<u>-</u>	<u>24,123</u>

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

Rock 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 for total governmental funds 28,367

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt repayments.

Developer advances	(73,427)	(73,427)
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The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		(4,407)
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Change in Net Position of Governmental Activities		(49,467)
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NOTES TO THE FINANCIAL STATEMENTS

Rock Metropolitan District
Notes to the Financial Statements
December 31, 2024

I. Summary of Significant Accounting Policies

The Rock Metropolitan District (the “District”) was established on May 25, 2022, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed to serve the public improvement needs of the Development. The District has the authority to plan, finance, design, acquire, construct install, relocate, and redevelop public improvements including streets, parks and recreation, water, sanitation, storm sewer, transportation, mosquito control, safety protection, fire protection, television relay, and security services in an area of approximately 8 acres of land in El Paso County, Colorado.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

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 discussed 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 District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Rock 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)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following 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 *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

The *Capital Projects Fund* accounts for revenues that are required to be used for capital projects.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Rock 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)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and 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. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2024.

3. Prepaid Expenses

Prepaid expenses represent costs incurred in advance for goods or services that will be consumed or utilized in future periods. These amounts are recorded as assets at the time of payment and are subsequently expensed over the period in which the related benefits are received.

4. 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.

5. Capital Assets

Capital assets, which include construction in progress, land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

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

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets (continued)

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is expensed as incurred. Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Roads	40
Parks and recreation	25
Potable Water	5-40
Sewer and Storm Sewer	5-40

6. Deferred Outflows and 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 a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Long-term Obligations

The District's long-term obligations consist of outstanding bonds and developer advances. These obligations are recorded in the government-wide financial statements, at their principal amounts, net of any applicable bond discounts or premiums, which are amortized over the life of the related debt using the effective interest method.

Developer advances - represent funds provided by developers for initial infrastructure and operational costs. These advances bear interest at rates specified in agreements between the District and developers. Repayment of advances is contingent upon the availability of certain future revenues.

Debt issuance costs, excluding prepaid bond insurance, are expensed as incurred in accordance with applicable accounting standards.

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

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable – 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 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 targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

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.

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 January 3, 2023 to provide final assessed valuations. The deadlines for the mill levy certifications was extended from December 15, 2023 to January 10, 2024.

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

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

II. Stewardship, Compliance, and Accountability (continued)

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 for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

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 debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$1,987, which is the approximate required reserve, at December 31, 2024.

Under TABOR, the initial base for local government spending and revenue limits is December 31, 1992 fiscal year spending. 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.

On May 3, 2022, the District's electorate approved the following:

SHALL ROCK METROPOLITAN DISTRICT TAXES BE INCREASED BY \$5,000,000 ANNUALLY OR BY SUCH LESSER AMOUNT AS NECESSARY TO PAY THE DISTRICT'S ADMINISTRATION, COVENANT ENFORCEMENT, DESIGN REVIEW, OPERATIONS, AND MAINTENANCE EXPENSES, BY THE IMPOSITION OF A FEE OR FEES IMPOSED, WITHOUT LIMITATION AS TO RATE OR AMOUNT OR ANY OTHER CONDITION, TO PAY SUCH EXPENSES AND SHALL THE PROCEEDS OF SUCH FEES AND ANY INVESTMENT INCOME THEREON BE COLLECTED, RETAINED AND SPENT BY THE DISTRICT IN FISCAL YEAR 2022 AND IN EACH FISCAL YEAR THEREAFTER AS A VOTER-APPROVED REVENUE CHANGE WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, THE LIMITS IMPOSED ON INCREASES IN PROPERTY TAXATION BY SECTION 29-1-301, C.R.S., IN ANY YEAR, OR ANY OTHER LAW WHICH PURPORTS TO LIMIT THE DISTRICT'S REVENUES OR EXPENDITURES AS IT CURRENTLY EXISTS OR AS IT MAY BE AMENDED IN THE FUTURE, ALL WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED, RETAINED, AND SPENT BY THE DISTRICT?

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.

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

II. Stewardship, Compliance, and Accountability (continued)

C. Authorized But Unissued Debt

Pursuant to C.R.S. 32-1-1101(2) a District is only authorized to issue bonds for a period up to twenty years following the date of the election at which such bonds were authorized by the District’s voters. The District has the following Authorized Debt as of December 31, 2024:

Purpose	Authorization
Special Assessment Debt	5,000,000
Streets	5,000,000
Parks and Recreation	5,000,000
Water System	5,000,000
Sanitation and Storm Sewer System	5,000,000
Tansportation System	5,000,000
Mosquito Control	5,000,000
Safety Protection	5,000,000
Fire Protection	5,000,000
Television Relay and Translation	5,000,000
Security Services and Improvements	5,000,000
Operations and Maintenance Debt	5,000,000
Refunding Debt	50,000,000
District Intergovernmental Agreements	5,000,000
Private Place Agreements	5,000,000
	120,000,000

At December 31, 2024, the District had \$120,000,000 of authorized but unissued debt. However, the Amended and Restated Service Plan of the District limits total Debt to \$5,000,000.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District’s deposits are entirely covered by federal depository insurance (“FDIC”) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The 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. The carrying amount of the District’s demand deposits was \$28,884 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

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

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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 and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. 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. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	28,884	28,884	-
<i>Investments:</i>				
Investment pool	AAAm	1,222	1,222	-
		30,106	30,106	-

At December 31, 2024, the District had the following recurring fair value measurements.

Investments Measured at Net Asset Value	Total
Colotrust Plus+	1,222
	1,222

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

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

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in COLOTRUST. The net asset 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's investments in COLOTRUST were 100% of the District's investment portfolio.

At December 31, 2024, District had invested \$1,222 in the Colorado Local Government Liquid Asset Trust (the "Trust") an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

III. Detailed Notes on all Funds (continued)

B. Long-term Obligations

1. Developer Advances

Operating Advances - The Developer has advanced operating funds to the District under the Funding and Reimbursement Agreement to be repaid when the District has available resources. The advances carry a 4% interest rate, per annum. There is no fixed amortization schedule for the developer redemption; therefore, it is not included in the following amortization schedule.

Capital Advances - The Developer has advanced capital funds to the District under the Infrastructure Acquisition and Reimbursement Agreement to be repaid when the District has available resources upon 1) issuance of bonds, 2) from available funds, or 3) issuance of Reimbursement Obligation(s). The advances carry an interest rate based on the Municipal Market Data "AAA" General Obligation Yield Curve, 30-year constant maturity, plus 4% interest, per annum. For the year ended December 31, 2024, the rate was 7.43%. There is no fixed amortization schedule for the developer redemption; therefore, it is not included in the following amortization schedule.

The District had the following changes in long-term obligations for the year ended December 31, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Developer advances:					
Operating advances	36,023	59,635	-	95,658	-
Capital advances	7,549	13,792	-	21,341	-
Total developer advances:	<u>43,572</u>	<u>73,427</u>	<u>-</u>	<u>116,999</u>	<u>-</u>
Total	<u><u>43,572</u></u>	<u><u>73,427</u></u>	<u><u>-</u></u>	<u><u>116,999</u></u>	<u><u>-</u></u>

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

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. 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. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool can be found here: <https://www.csdpool.org/financials>

B. Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2024.

C. Related Parties

The Developer's representatives make up the majority of the members of the Board of Directors. The Developer operating and capital advances through December 31, 2024 aggregated \$116,999.

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

V. Agreements

A. Funding and Reimbursement Agreement

On December 20, 2023, the District entered into a Funding and Reimbursement Agreement (the "Agreement") with Toll Southwest, LLC ("Toll Southwest") to provide financial assistance for the District's operating activities. Under the terms of the Agreement, Toll Southwest has committed to advance up to \$75,000 per annum for two years, with a cumulative cap of \$150,000, to support the District's general operations. The terms and conditions of these advances are further detailed in Note III.B.1. The Agreement automatically renews for additional one-year terms, unless Toll Southwest provides written notice of cancellation to the District at least 30 days prior to December 31 of any given year.

B. Infrastructure Acquisition and Reimbursement Agreement

On April 23, 2024, the District entered into the Infrastructure Acquisition and Reimbursement Agreement (the "Agreement") with Toll Southwest, LLC ("Toll Southwest") to provide funding for certain public infrastructure improvements in anticipation of future revenues. Under the terms of the agreement, Toll Southwest has advanced funds to the District to cover eligible costs related to infrastructure, including water, sewer, storm drainage, road improvements, and other public facilities as authorized by the District's Service Plan. Terms of the capital advances under this agreement are detailed under Note III.B.1.

VI. Subsequent Events – Issuance of Bonds

On January 22, 2025, the District issued \$3,245,000 in aggregate principal amount of limited tax general obligation bonds to finance and reimburse costs related to public improvements, fund a reserve and capitalized interest for the senior series, and pay issuance costs. The bonds are secured by ad valorem property taxes levied by the District and are general obligations limited to a maximum mill levy as specified in the bond indentures.

- Series 2025A: \$2,295,000 issued at an interest rate of 5.625%, maturing on December 1, 2054. Interest is payable semiannually on June 1 and December 1, commencing June 1, 2025. Principal is subject to mandatory sinking fund redemption beginning December 1, 2029, with final payment at maturity.
- Series 2025B: \$550,000 issued at an interest rate of 7.875%, maturing on December 15, 2054. Interest is payable annually on December 15, commencing December 15, 2025. Principal is payable at maturity or upon prior redemption.
- Series 2025C: \$400,000 issued at an interest rate of 7.950%, maturing on December 15, 2054. Interest is payable annually on December 15, commencing December 15, 2025. Principal is payable at maturity or upon prior redemption.

REQUIRED SUPPLEMENTARY INFORMATION

Rock Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2024

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	5,426	5,425	(1)
Specific ownership taxes	543	509	(34)
Other income	4,773	-	(4,773)
Interest income	-	659	659
Total Revenues	<u>10,742</u>	<u>6,593</u>	<u>(4,149)</u>
Expenditures:			
General government:			
Insurance	1,000	2,076	(1,076)
Accounting and auditing	20,000	12,672	7,328
Legal	25,000	29,037	(4,037)
Elections	-	459	(459)
Treasurer fees	81	81	-
Miscellaneous	1,100	905	195
Contingency	7,819	-	7,819
Total Expenditures	<u>55,000</u>	<u>45,230</u>	<u>9,770</u>
Other Financing Sources:			
Developer advances	44,358	59,635	15,277
Total Other Financing Sources	<u>44,358</u>	<u>59,635</u>	<u>15,277</u>
Net Change in Fund Balance	100	20,998	20,898
Fund Balance - Beginning	<u>100</u>	<u>3,125</u>	<u>3,025</u>
Fund Balance - Ending	<u><u>200</u></u>	<u><u>24,123</u></u>	<u><u>23,923</u></u>

SUPPLEMENTARY INFORMATION

Rock Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2024

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Interest income	-	-	-
Total Revenues	-	-	-
Expenditures:			
General government:			
Bank and trustee fees	7,000	-	7,000
Total Expenditures	7,000	-	7,000
Other Financing Sources:			
Transfers in	656,493	-	(656,493)
Total Other Financing Sources	656,493	-	(656,493)
Net Change in Fund Balance	649,493	-	(649,493)
Fund Balance - Beginning	-	-	-
Fund Balance - Ending	649,493	-	(649,493)

Rock Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Projects Fund
For the Year Ended December 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
Revenues:				
Interest income	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public works:				
Engineering	-	-	6,423	(6,423)
Debt Service:				
Cost of issuance	357,430	357,430	-	357,430
Capital outlay	1,647,077	2,486,077	-	2,486,077
Total Expenditures	<u>2,004,507</u>	<u>2,843,507</u>	<u>6,423</u>	<u>2,837,084</u>
Other Financing Sources:				
Bond proceeds	2,661,000	3,500,000	-	(3,500,000)
Developer advances	-	-	13,792	13,792
Transfers (out)	(656,493)	(656,493)	-	656,493
Total Other Financing Sources	<u>2,004,507</u>	<u>2,843,507</u>	<u>13,792</u>	<u>(2,829,715)</u>
Net Change in Fund Balance	-	-	7,369	7,369
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>(7,369)</u>	<u>(7,369)</u>
Fund Balance - Ending	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>