

DRAFT 9-3-24

ESTANCIA METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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Estancia Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2023

| | <u>General</u> | <u>Debt Service</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|---|-------------------|-------------------------|-------------------|-----------------------|--|
| ASSETS | | | | | |
| Cash and investments | \$ 78,733 | \$ - | \$ 78,733 | \$ - | \$ 78,733 |
| Cash and investments - restricted | 5,198 | - | 5,198 | - | 5,198 |
| Receivable County Treasurer | 215 | 1,127 | 1,342 | - | 1,342 |
| Prepaid | 6,747 | - | 6,747 | - | 6,747 |
| Property taxes receivable | 83,928 | 478,299 | 562,227 | - | 562,227 |
| Assessments receivable | 2,600 | - | 2,600 | - | 2,600 |
| Due from other funds | 5,699 | - | 5,699 | (5,699) | - |
| Capital assets, net of depreciation | - | - | - | 304,921 | 304,921 |
| Total Assets | <u>\$ 183,120</u> | <u>\$ 479,426</u> | <u>\$ 662,546</u> | <u>299,222</u> | <u>961,768</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 29,131 | \$ - | \$ 29,131 | - | 29,131 |
| Due to other funds | - | 5,699 | 5,699 | (5,699) | - |
| Accrued interest on bonds | - | - | - | 8,520 | 8,520 |
| Long-term liabilities | | | | | |
| Due within one year | - | - | - | 184,000 | 184,000 |
| Due in more than one year | - | - | - | 6,050,000 | 6,050,000 |
| Total Liabilities | <u>29,131</u> | <u>5,699</u> | <u>34,830</u> | <u>6,236,821</u> | <u>6,271,651</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred property taxes | 83,928 | 478,299 | 562,227 | - | 562,227 |
| Total Deferred Inflows of Resources | <u>83,928</u> | <u>478,299</u> | <u>562,227</u> | <u>-</u> | <u>562,227</u> |
| FUND BALANCES/NET POSITION | | | | | |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Prepays | 6,747 | - | 6,747 | (6,747) | - |
| Restricted | | | | | |
| Emergencies | 5,198 | - | 5,198 | (5,198) | - |
| Unassigned | 58,116 | (4,572) | 53,544 | (53,544) | - |
| Total Fund Balances | <u>70,061</u> | <u>(4,572)</u> | <u>65,489</u> | <u>(65,489)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 183,120</u> | <u>\$ 479,426</u> | <u>\$ 662,546</u> | | |
| Net Position: | | | | | |
| Restricted for: | | | | | |
| Emergencies | | | | 5,198 | 5,198 |
| Unrestricted | | | | (5,877,308) | (5,877,308) |
| Total Net Position | | | | <u>\$ (5,872,110)</u> | <u>\$ (5,872,110)</u> |

The notes to the financial statements are an integral part of these statements.

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Estancia Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

| | <u>General</u> | Debt <u>Service</u> | <u>Total</u> | <u>Adjustments</u> | Statement of <u>Activities</u> |
|--|------------------|------------------------|------------------|-----------------------|--------------------------------------|
| EXPENDITURES | | | | | |
| Accounting & audit | \$ 14,395 | \$ - | \$ 14,395 | \$ - | \$ 14,395 |
| District Management | 52,021 | - | 52,021 | - | 52,021 |
| Election expense | 2,176 | - | 2,176 | - | 2,176 |
| Insurance | 7,234 | - | 7,234 | - | 7,234 |
| Legal | 20,158 | - | 20,158 | - | 20,158 |
| Collection | 300 | - | 300 | - | 300 |
| Miscellaneous expenses | 12,921 | - | 12,921 | - | 12,921 |
| Treasurer's fees | 760 | 3,997 | 4,757 | - | 4,757 |
| Ground Expense | 28,177 | - | 28,177 | - | 28,177 |
| Utilities | 32,012 | - | 32,012 | - | 32,012 |
| Professional Fees | 6,635 | - | 6,635 | - | 6,635 |
| Holiday Lighting | 1,580 | - | 1,580 | - | 1,580 |
| Snow Removal | 344 | - | 344 | - | 344 |
| Loan principal payment | - | 4,110,000 | 4,110,000 | (4,110,000) | - |
| Interest expense - Series 2009 | - | 1,541,624 | 1,541,624 | (1,232,072) | 309,552 |
| Interest expense - Series 2023 | - | - | - | 8,520 | 8,520 |
| Cost of Issuance | - | 260,674 | 260,674 | - | 260,674 |
| Repay Developer Note | - | 616,000 | 616,000 | (574,424) | 41,576 |
| Paying agent fees | - | 1,500 | 1,500 | - | 1,500 |
| | <u>178,713</u> | <u>6,533,795</u> | <u>6,712,508</u> | <u>(5,907,976)</u> | <u>804,532</u> |
| Total Expenditures | | | | | |
| GENERAL REVENUES | | | | | |
| Property taxes | 50,493 | 265,102 | 315,595 | - | 315,595 |
| Specific ownership taxes | 3,316 | 17,411 | 20,727 | - | 20,727 |
| Operations Fee | 85,615 | - | 85,615 | - | 85,615 |
| Interest and other income | 1,288 | 12,710 | 13,998 | - | 13,998 |
| | <u>140,712</u> | <u>295,223</u> | <u>435,935</u> | <u>-</u> | <u>435,935</u> |
| Total General Revenues | | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | | |
| | (38,001) | (6,238,572) | (6,276,573) | 5,907,976 | (368,597) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Loan proceeds | - | 6,234,000 | 6,234,000 | (6,234,000) | - |
| Forgiveness of debt | - | - | - | 535,634 | 535,634 |
| | <u>-</u> | <u>6,234,000</u> | <u>6,234,000</u> | <u>(5,698,366)</u> | <u>535,634</u> |
| Total Other Financing Sources (Uses) | | | | | |
| NET CHANGES IN FUND BALANCES | | | | | |
| | (38,001) | (4,572) | (42,573) | 42,573 | |
| CHANGE IN NET POSITION | | | | | |
| | | | | 167,037 | 167,037 |
| FUND BALANCES/NET ASSETS | | | | | |
| BEGINNING OF YEAR | <u>108,062</u> | <u>-</u> | <u>108,062</u> | <u>(6,147,209)</u> | <u>(6,039,147)</u> |
| END OF YEAR | <u>\$ 70,061</u> | <u>\$ (4,572)</u> | <u>\$ 65,489</u> | <u>\$ (5,937,599)</u> | <u>\$ (5,872,110)</u> |

The notes to the financial statements are an integral part of these statements.

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Estancia Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

| | Original & Final | | Variance |
|----------------------------------|------------------|------------------|--|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> |
| REVENUES | | | |
| Property taxes | \$ 50,610 | \$ 50,493 | \$ (117) |
| Specific ownership taxes | 3,542 | 3,316 | (226) |
| Operations Fee | 84,000 | 85,615 | 1,615 |
| Interest and other income | <u>2,500</u> | <u>1,288</u> | <u>(1,212)</u> |
| Total Revenues | <u>140,652</u> | <u>140,712</u> | <u>60</u> |
| EXPENDITURES | | | |
| Accounting & audit | 12,000 | 14,395 | (2,395) |
| District Management | 52,000 | 52,021 | (21) |
| Election expense | 15,000 | 2,176 | 12,824 |
| Insurance | 7,500 | 7,234 | 266 |
| Legal | 25,000 | 20,158 | 4,842 |
| Collection | 2,500 | 300 | |
| Miscellaneous expenses | 4,000 | 12,921 | (8,921) |
| Treasurer's fees | 759 | 760 | (1) |
| Ground Expense | 23,000 | 28,177 | (5,177) |
| Utilities | 32,000 | 32,012 | (12) |
| Holiday Lighting | 1,200 | 1,580 | (380) |
| Snow Removal | 2,000 | 344 | 1,656 |
| Professional Fees | - | 6,635 | (6,635) |
| Contingency | 15,898 | - | 15,898 |
| Emergency Reserve | <u>5,309</u> | <u>-</u> | <u>5,309</u> |
| Total Expenditures | <u>198,166</u> | <u>178,713</u> | <u>17,253</u> |
| NET CHANGES IN FUND BALANCE | (57,514) | (38,001) | 17,313 |
| FUND BALANCE - BEGINNING OF YEAR | <u>57,514</u> | <u>108,062</u> | <u>50,548</u> |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ 70,061</u> | <u>\$ 67,861</u> |

The notes to the financial statements are an integral part of these statements.

ESTANCIA METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Estancia Metropolitan District, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 17, 2004 as a quasi-municipal corporation and political subdivision of the State of Colorado, pursuant to and in accordance with the provisions of the Colorado Special District Act. The District was established to finance and construct, operate and maintain certain public infrastructure improvements that benefits the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

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Notes to Financial Statements December 31, 2023

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid. The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

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Notes to Financial Statements December 31, 2023

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. The District amended its total appropriations in the Debt Service Fund as a result of the issuance of the 2023 Loan. However, total expenditures exceeded total appropriations, this may be a violation of State Budget Law.

Assets, Liabilities and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value. 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 minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

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Notes to Financial Statements December 31, 2023

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 a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no 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. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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Notes to Financial Statements December 31, 2023

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$5,198 of the General Fund balance has been reserved in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

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Notes to Financial Statements December 31, 2023

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Deficit

The Debt Service Fund has a deficit fund balance as a result of interest paid in excess of funds on hand. This deficit will be eliminated in 2024 with the collection of property taxes.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net positions that do not meet the definition of the above two components and are available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash

As of December 31, 2023, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|------------------|
| Cash and investments | \$ 78,733 |
| Cash and investments - restricted | <u>5,198</u> |
| Total | <u>\$ 83,931</u> |

Cash and cash equivalents as of December 31, 2023, consist of the following:

| | |
|--------------------------------------|------------------|
| Deposits with financial institutions | \$ 11,751 |
| COLOTRUST | <u>72,180</u> |
| Total | <u>\$ 83,931</u> |

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Notes to Financial Statements December 31, 2023

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

As of December 31, 2023, the District had the following investment:

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Notes to Financial Statements December 31, 2023

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”), is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2023, the District had \$72,180 invested in COLOTRUST Plus+.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

| <u>Governmental Type Activities:</u> | <u>Balance</u> <u>1/1/2023</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>12/31/2023</u> |
|--|-----------------------------------|------------------|------------------|-------------------------------------|
| <u>Capital assets not being depreciated:</u> | | | | |
| Construction in progress | \$ 304,921 | \$ - | \$ - | \$ 304,921 |
| Total capital assets not being depreciated: | <u>304,921</u> | <u>-</u> | <u>-</u> | <u>304,921</u> |
| Government type assets, net | <u>\$ 304,921</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 304,921</u> |

ESTANCIA METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2023, is as follows:

Tax-Exempt General Obligation Refunding Loan Agreement & Promissory Note Series 2023

On December 21, 2023, the District entered into a Loan Agreement with Flagstar Public Funding Corp (“Lender”) whereby the Lender agreed to loan the District \$6,234,000, (“2023 Loan”) for the purpose of fully refunding the GO Convertible Capital Appreciation Bond, Series 2009 and Developer Advance refunding. The 2023 Loan bears interest at the rate of 4.92% payable semiannually on each June 1 and December 1, commencing on June 1, 2024. Payments of principal on the loan are due annually on each December 1, commencing on December 1, 2024. The 2023 Loan is secured by the Pledge revenue and any other legally available moneys as determined by the District. The 2023 Loan matures on December 1, 2033. The District may prepay all, but not part, of the principal of the Loan on any Interest Payment Date, upon payment to the Lender of a sum equal to: (i) the interest, if any, due on such date, (ii) any other amounts then due and owing hereunder; (iii) the remaining and outstanding principal balance, and (iv) a premium equal to the applicable call premium as described multiplied by the principal amount being prepaid; provided that the District provide 30 days’ notice to the Lender in regards to the District’s prepayment and the District pay the applicable call premium ranging from 0.5% to 1.5% of the principal amount so redeemed.

Events of Default as defined in the Loan Agreement includes; the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by this Loan Agreement; on and after the Unlimited Tax Receipt Date, if any, the District fails to pay the principal of or interest on the Loan or any other amount payable to the Lender hereunder when due; the District fails to observe or perform any of the covenants, agreements, or conditions on the part of the District in the Loan Agreement or the other Financing Documents, and the District fails to remedy the same within 30 days after the Lender has provided the District with notice thereof; provided however, that there shall be no Event of Default for failure to observe or perform any of the covenants, agreements, or conditions on the part of the District in this Loan Agreement or the other Financing Documents which are qualified by the phrase “to the extent permitted by law” or by phrases of similar import, if a court or other tribunal of competent jurisdiction has determined in a final, non-appealable judgment that such covenants, agreements, or conditions are not permitted by law; any representation or warranty made by the District in the Loan Agreement or in any other Financing Document or any certificate, instrument, financial, or other statement furnished by the District to the Lender, proves to have been untrue or incomplete in any material respect when made or deemed made; default in the payment of principal of or interest when due on any financial obligation of the District and continuance of such default beyond any grace period; he pledge of the Pledged Revenue or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder; any judgment or court order for the payment of money exceeding any applicable

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Notes to Financial Statements December 31, 2023

insurance coverage by more than \$50,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days; a change occurs in the financial or operating conditions of the District, or the occurrence of any other event that, in the Lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate Pledged Revenue sufficient to satisfy the District's obligations under the Loan Agreement or its other obligations, and the District fails to cure such condition within the time specified by the Lender in a written notice thereof from the Lender; (i) the District shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts; or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or the District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the District any case, proceeding, or other action of a nature referred to in Section 7.01 (k)(i) hereof and the same shall remain undismissed; or (iii) there shall be commenced against the District any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal, within 30 days from the entry thereof; or (iv) the District shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; the Loan Agreement or any other Financing Document, or any material provision hereof or thereof, (i) ceases to be valid and binding on the District or is declared null and void, or the validity or enforceability thereof is contested by the District (unless being contested by the District in good faith), or the District denies it has any or further liability under any such document to which it is a party; or (ii) any pledge or security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder; the District's auditor delivers a qualified opinion with respect to the District's status as a going concern; any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established hereunder shall become subject to any writ, judgment, warrant, attachment, execution, or similar process; any determination, decision, or decree is made by the Commissioner of the Internal Revenue Service or any district director of the Internal Revenue Service, or by any court of competent jurisdiction, that the interest payable on the Note is includable in the gross income for federal income tax purposes of the Lender by virtue of the intentional or reckless failure or refusal by the District to take actions or refrain from taking actions as required by the Section hereof entitled "Tax Covenants", which failure or refusal results in interest payable on the Note becoming includable in the gross income of the Lender pursuant to Section 103(b) of the Internal Revenue Code, and the rules and regulations promulgated thereunder, if and so long as such determination, decision, or decree is not being appealed or otherwise contested in good faith by the District.

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Notes to Financial Statements December 31, 2023

The 2023 Loan and proceeds along with funds on hand deposited funds in an escrow to repay the Series 2009 Bonds. As a result, the Series 2009 Bonds were considered defeased and were removed from the District's Statement of Net Position.

\$4,110,000 General Obligation Convertible Capital Appreciation Bonds, Series 2009

On April 8, 2009, the District issued, in the original principal amount of \$3,733,853. The Bonds accreted at the rate of 6.00% compounded annually through December 1, 2010 to the accreted value of \$4,110,000. Thereafter the Series 2009 Bonds converted to current interest bonds and paid interest and principal annually. The Series 2009 Bonds were secured by a portion of the Specific Ownership Taxes attributable to the debt service mill levy, facility fees, a surplus fund of up to \$400,000, a required minimum mill levy of 42.000 mills (adjusted for changes occurring after the issuance of such bonds in the ratio of assessed values to market values) and a limited mill levy not to exceed 50.000 mills. The required mill levy could have been reduced below 42.000 mills should the surplus fund exceed \$400,000. The surplus fund requirement, the required minimum mill levy and the limited mill levy cap of 50.000 mills can be removed when the ratio of outstanding debt to assessed valuation is 50% or less. Interest was payable on December 1, 2011 and on December 1, in each year thereafter until maturity on December 1, 2038, at 6.00%. On December 21, 2023 the Series 2009 Bonds were repaid in full with the issuance of the 2023 Loan..

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

| | <u>Balance</u> 1/1/2023 | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> 12/31/2023 | <u>Current</u> <u>Portion</u> |
|-------------------------------|----------------------------|---------------------|---------------------|------------------------------|----------------------------------|
| Direct Borrowings | | | | | |
| 2023 Loan | \$ - | \$ 6,234,000 | \$ - | \$ 6,234,000 | \$ 184,000 |
| General Obligation Bonds | | | | | |
| Series 2009 Bonds | 4,110,000 | - | 4,110,000.00 | - | - |
| Other | | | | | |
| Developer advance - principal | 617,401 | - | 617,401 | - | - |
| Developer advance - interest | 492,657 | 41,576 | 534,233 | - | - |
| | <u>\$ 4,110,000</u> | <u>\$ 6,275,576</u> | <u>\$ 5,261,634</u> | <u>\$ 6,234,000</u> | <u>\$ 184,000</u> |

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ESTANCIA METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

The following is a summary of the annual long-term debt principal and interest requirements for the 2023 Loan.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------|---------------------|---------------------|
| 2024 | \$ 184,000 | \$ 289,673 | \$ 473,673 |
| 2025 | 225,000 | 297,660 | 522,660 |
| 2026 | 245,000 | 286,590 | 531,590 |
| 2027 | 255,000 | 274,536 | 529,536 |
| 2028 | 280,000 | 261,990 | 541,990 |
| 2029-2033 | <u>5,045,000</u> | <u>1,087,566</u> | <u>6,132,566</u> |
| | <u>\$6,234,000</u> | <u>\$ 2,498,015</u> | <u>\$ 8,732,015</u> |

Debt Authorization

A majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed \$56,000,000, of which \$46,032,149 remains at December 31, 2023.

Note 5: Other Agreements

Intergovernmental Agreements

On January 18, 2006 the District entered into an agreement with Arapahoe County Water and Wastewater Authority, a political subdivision of the State of Colorado (ACWWA), for the provision of water service.

Funding and Reimbursement Agreement

On April 8, 2009 the District entered into an agreement with Estancia 80, LLC (the Developer) whereby the Developer agreed to undertake certain development activities or cause development activities to occur with respect to property included within the boundaries of the District, which depend upon the timely delivery of the public infrastructure, and to make payments to cover revenue shortfalls available for operations and maintenance expenses not to exceed an aggregate of \$500,000. The District has agreed to repay the amounts advanced at 8% per annum from the date of each advance until repayment. The District's obligation to pay amounts due under the agreement is subject to annual appropriation and debt is not construed as multiple fiscal year debt. On November 8, 2023 this agreement was terminated.

ESTANCIA METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Termination of Funding and Reimbursement Agreement

On November 8, 2023, the District and Estancia 80 entered into a Termination of the Funding and Reimbursement Agreement. Pursuant to the Termination Agreement, the funds advanced by the Developer under the Funding Agreement, as recorded by the \$500,00 Promissory Note, were agreed to be considered a contribution by the Developer which will not be repaid to the Developer.

Infrastructure Acquisition Agreement

On April 8 2009, the District entered into an Infrastructure Acquisition Agreement with the Developer, whereby the Developer agrees to pay for construction of public improvements and the District agrees to reimburse the Developer from bond issues, plus interest at 8% per annum from the date of each advance until repayment. The District's obligation to pay amounts due under the agreement is subject to annual appropriation and the debt is not construed as multiple fiscal year debt. With the issuance of the Series 2009 Bonds, the developer was reimbursed \$2,855,237 of principal and \$878,616 of interest in Certified Costs, as defined by the agreement.

Termination of Infrastructure Acquisition Agreement

On November 8, 2023, the District and Estancia 80 entered into a termination of the Infrastructure Acquisition Agreement. Pursuant to the termination agreement, the parties acknowledged that the total amount of principal and interest remaining of the Certified Costs not paid after the District issued its Series 2009 Bonds was \$616,000. In full release and satisfaction of the financial obligations under the Infrastructure Acquisition Agreement, the parties agreed to pay the Developer \$616,000 and terminate the agreement.

Note 6: Tax, Spending and Debt Limitations

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

ESTANCIA METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2023

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

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

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

On November 2, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

ESTANCIA METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2023

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) long-term liabilities such as loans payable, landowner advances payable and accrued interest on bonds and landowner advances are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) Governmental funds report landowner repayments and/or long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

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SUPPLEMENTAL INFORMATION

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Estancia Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2023

| | Original <u>Budget</u> | Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|---------------------------|------------------------|----------------------|---|
| REVENUES | | | | |
| Development fees | \$ 10,000 | \$ 7,025 | \$ - | \$ (7,025) |
| Property taxes | 265,716 | 265,716 | 265,102 | (614) |
| Deficiency for debt payment | 50,000 | - | - | - |
| Specific ownership taxes | 18,600 | 17,500 | 17,411 | (89) |
| Interest and other income | <u>\$ 750</u> | <u>6,000</u> | <u>12,710</u> | <u>6,710</u> |
| Total Revenues | <u>345,066</u> | <u>296,241</u> | <u>295,223</u> | <u>(1,018)</u> |
| EXPENDITURES | | | | |
| Interest expense - Series 2009 | 290,000 | - | 1,541,624 | (1,541,624) |
| Loan principal payment | 50,000 | - | 4,110,000 | (4,110,000) |
| Repay Developer Note | - | 616,000 | 616,000 | - |
| Cost of Issuance | - | 475,000 | 260,674 | 214,326 |
| Paying agent fees | 1,500 | 1,500 | 1,500 | - |
| Miscellaneous expenses | - | 5,514 | - | 5,514 |
| Treasurer's fees | <u>3,986</u> | <u>3,986</u> | <u>3,997</u> | <u>(11)</u> |
| Total Expenditures | <u>345,486</u> | <u>1,102,000</u> | <u>6,533,795</u> | <u>(5,431,795)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (420) | (805,759) | (6,238,572) | (5,432,813) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan proceeds | - | 6,400,000 | 6,234,000 | (166,000) |
| Transfer to escrow agent | <u>-</u> | <u>(5,309,000)</u> | <u>-</u> | <u>5,309,000</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>1,091,000</u> | <u>6,234,000</u> | <u>5,143,000</u> |
| CHANGE IN FUND BALANCE | | | | |
| | (420) | 285,241 | (4,572) | (289,813) |
| FUND BALANCE - BEGINNING OF YEAR | | | | |
| | <u>638</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | | | | |
| | <u>\$ 218</u> | <u>\$ 285,241</u> | <u>\$ (4,572)</u> | <u>\$ (289,813)</u> |

The notes to the financial statements are an integral part of these statements.