

THE LAKES METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

December 31, 2024

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lakes Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of The Lakes Metropolitan District No. 1 as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise The Lakes Metropolitan District No. 1'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 the major fund of The Lakes Metropolitan District No. 1 as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Lakes Metropolitan District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Lakes Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of 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 Lakes Metropolitan District No. 1'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 Lakes Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.



Fort Collins, Colorado
July 17, 2025

Basic Financial Statements

The Lakes Metropolitan District No. 1
Statement of Net Position
December 31, 2024

| Assets | Governmental Activities |
|--|------------------------------------|
| Current Assets | |
| Cash and cash equivalents - unrestricted | \$ 8,954,369 |
| Other receivables | 46,362 |
| Due from county treasurer | 23,762 |
| Prepaid expenses | 8,173 |
| Property taxes receivable | 2,478,996 |
| Total Current Assets | 11,511,662 |
| Noncurrent Assets | |
| Capital assets | |
| Nondepreciable | 89,276 |
| Net Capital Assets | 89,276 |
| Total Assets | 11,600,938 |
| Accounts payable | 48,241 |
| Due to District No. 3 | 32,472 |
| Total Liabilities | 80,713 |
| Deferred Inflows of Resources | |
| Deferred property tax revenue | 2,478,996 |
| Total Deferred Inflows of Resources | 2,478,996 |
| Net Position | |
| Restricted for emergencies | 210,840 |
| Unrestricted | 8,830,389 |
| Total Net Position | \$ 9,041,229 |

The accompanying notes are an integral part of these financial statements

**The Lakes Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2024**

| Governmental Activities | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position |
|--------------------------------------|-------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| General government | \$ 250,524 | \$ - | \$ 164,305 | \$ (86,219) |
| Total Governmental Activities | \$ 250,524 | \$ - | \$ 164,305 | \$ (86,219) |
| General Revenues | | | | |
| Property taxes | | | | 6,242,947 |
| Specific ownership taxes | | | | 299,035 |
| Interest income | | | | 320,939 |
| Miscellaneous | | | | 787 |
| Total Revenues | | | | 6,863,708 |
| Change in Net Position | | | | 6,777,489 |
| Net Position - Beginning of Year | | | | 2,263,740 |
| Net Position - End of Year | | | | \$ 9,041,229 |

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**The Lakes Metropolitan District No. 1
Balance Sheet
Governmental Fund
December 31, 2024**

| | General Fund |
|--|----------------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents - unrestricted | \$ 8,954,369 |
| Other receivables | 46,362 |
| Due from county treasurer | 23,762 |
| Prepaid expenses | 8,173 |
| Property taxes receivable | 2,478,996 |
| Total Assets | 11,511,662 |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 48,241 |
| Due to District No. 3 | 32,472 |
| Total Liabilities | 80,713 |
| Deferred Inflows of Resources | |
| Deferred property tax revenue | 2,478,996 |
| Total Deferred Inflows of Resources | 2,478,996 |
| Equity | |
| Fund Balance | |
| Nonspendable | 8,173 |
| Assigned | 8,797,604 |
| Restricted | 210,840 |
| Unassigned | (64,664) |
| Total Fund Balance | 8,951,953 |
| Total Liabilities, Equity and Deferred Inflows of Resources | \$ 11,511,662 |

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance

Amounts reported for governmental funds in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Total Net Position

| | |
|--|---------------------|
| | 89,276 |
| | \$ 9,041,229 |

The accompanying notes are an integral part of these financial statements

The Lakes Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2024

| | General Fund |
|---|---------------------|
| Revenues | |
| Property taxes | \$ 6,242,947 |
| Specific ownership taxes | 299,035 |
| Proceeds from District No. 3 & No. 4 | 164,305 |
| Interest income | 320,939 |
| Miscellaneous | 787 |
| Total Revenue | 7,028,013 |
| Expenditures | |
| Operations | |
| Accounting and auditing | 48,199 |
| Legal | 71,719 |
| Management fees | 19,760 |
| Insurance and dues | 8,981 |
| Consulting | 900 |
| Miscellaneous | 3,299 |
| Transfer to District No. 4 | 4,000 |
| Treasurer's fees | 93,666 |
| Capital Outlay | 89,276 |
| Total Expenditures | 339,800 |
| Net Change in Fund Balance | 6,688,213 |
| Fund Balance, Beginning of Year | 2,263,740 |
| Fund Balance, End of Year | \$ 8,951,953 |
| Total Change in Fund Balance Governmental Fund | \$ 6,688,213 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported in the fund statements.</p> <p>Capital outlay to purchase or build capital assets is reported in governmental funds as an expenditure. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their useful lives.</p> | |
| | 89,276 |
| Change in Net Position of Governmental Activities | \$ 6,777,489 |

The accompanying notes are an integral part of these financial statements

The Lakes Metropolitan District No. 1
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2024

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|------------------------------|---------------------|--|
| Revenues | | | |
| Property taxes | \$ 6,243,001 | \$ 6,242,947 | \$ (54) |
| Specific ownership taxes | 374,580 | 299,035 | (75,545) |
| Proceeds from District No. 3 & No. 4 | 88,000 | 164,305 | 76,305 |
| Interest income | 85,000 | 320,939 | 235,939 |
| Miscellaneous | - | 787 | 787 |
| Total Revenue | <u>6,790,581</u> | <u>7,028,013</u> | <u>237,432</u> |
| Expenditures | | | |
| Accounting and auditing | 30,000 | 48,199 | (18,199) |
| Legal | 62,000 | 71,719 | (9,719) |
| Management fees | 45,000 | 19,760 | 25,240 |
| Insurance and dues | 15,000 | 8,981 | 6,019 |
| Consulting | 2,000 | 900 | 1,100 |
| Miscellaneous | 91,500 | 3,299 | 88,201 |
| Transfer to District No. 4 | | 4,000 | (4,000) |
| Treasurer's fees | 93,645 | 93,666 | (21) |
| Capital outlay | 8,300,000 | 89,276 | 8,210,724 |
| Contingencies and reserves | 10,000 | - | 10,000 |
| Total Expenditures and Transfers | <u>8,649,145</u> | <u>339,800</u> | <u>8,309,345</u> |
| Net Change in Fund Balance | (1,858,564) | 6,688,213 | 8,546,777 |
| Beginning Fund Balance | 21,434 | 2,263,740 | - |
| Ending Fund Balance | <u>\$ (1,837,130)</u> | <u>\$ 8,951,953</u> | <u>\$ 8,546,777</u> |

The accompanying notes are an integral part of these financial statements

The Lakes Metropolitan District No. 1
Notes to Financial Statements
December 31, 2024

Note 1 Summary of Significant Accounting Policies

The Lakes Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in the City of Brighton, Colorado (City). The District was established primarily to provide for the planning, design, financing, acquisition, and construction of certain public improvements. The District anticipates that all, or some, of the improvements may be dedicated to the City, or its designee. The District was organized on January 9, 2007 after a duly called election on November 7, 2006 and approval of its service plan on September 5, 2006 (the "Original Service Plan"). Concurrently with the organization of the District, The Lakes Metropolitan District Nos. 2-4 were also formed in January 2007. Subsequently, The Lakes Metropolitan District Nos. 5-6 were formed in May 2018. The Lakes Metropolitan District Nos. 1-6 are referred to herein collectively as the "Districts"). It is anticipated that the Districts will undertake the financing and construction of Improvements contemplated in the Districts' service plans. Specifically, the Districts shall enter into one or more intergovernmental agreements which shall govern the relationships between and among the Districts with respect to the financing, construction, and operation and maintenance, as appropriate, of the Improvements contemplated in the Districts' service plans.

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

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statement of net position presents the financial position of the governmental activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 1 Summary of Significant Accounting Policies (Continued)

revenue of the District. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

Fund Accounting

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Fund types used by the District are described below. The major fund of the District is the General Fund.

Governmental Fund Type

General Fund –is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 1 Summary of Significant Accounting Policies (Continued)

standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows, where applicable. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are typically levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Assets and Liabilities

Cash and cash equivalents - the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – all capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation of the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives range from 5-40 years for capital assets.

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Accounting (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Accrued Liabilities and long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Inflows of Resources and Deferred Outflows of Resources

The District implemented the provisions of GASB No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable - consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$8,173 relating to prepaid expenses as of December 31, 2024.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 6). A reservation of \$210,840 of the General Fund balance has been made in compliance with this requirement.

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Accounting (continued)

Committed - General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2024.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2024, the assigned fund balance was \$8,797,604 for appropriations of in the 2025 budget in excess of revenues.

Unassigned - consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

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

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or amended by the District Board.

Use of Estimates in the Preparation of Financial Statements

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

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2024, the District's cash deposits had a carrying balance of \$52,963 with a corresponding bank balance of \$90,442 all of which is federally insured.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District had \$0 collateralized under PDPA.

The Colorado Divisions of Banking 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2024, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

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

At December 31, 2024, the District had \$8,901,406 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+ - The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S.

**The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024**

Note 2 Cash and Investments (Continued)

government agencies, highest rated commercial paper and any security allowed under section 24-75-601, C.R.S., as amended.

COLOTRUST EDGE - The Trust operates similarly to a money market fund and each share is equal in value to \$10.00. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as 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. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

As of December 31, 2024, the Board had not adopted a formal investment policy.

Note 3 Capital Assets

| | Balance at 12/31/2023 | Additions | Deletions | Balance at 12/31/2024 |
|--------------------------|--------------------------|------------------|-------------|--------------------------|
| Nondepreciable | | | | |
| Construction in progress | \$ - | \$ 89,276 | \$ - | \$ 89,276 |
| Total Nondepreciable | - | 89,276 | - | 89,276 |
| Net Capital Assets | <u>\$ -</u> | <u>\$ 89,276</u> | <u>\$ -</u> | <u>\$ 89,276</u> |

Note 4 Agreements

Capital Reimbursement Agreements

The District has entered into the following agreements for reimbursement of advances from developer entities for capital expenses.

Project Funding and Reimbursement Agreement

On January 22, 2007, the District and Brighton Lakes, LLC (the Developer) entered into a Project Funding and Reimbursement Agreement (the Project Funding Agreement), pursuant to which the District agreed to reimburse the Developer for funds (i) incurred by the Developer for the organization of the District and The Lakes Metropolitan District Nos. 2-4 and (ii) advanced by the Developer for construction related expenses incurred by the District in fiscal year 2007, together with interest of 8%.

On June 8, 2021 this agreement was amended with the First Amendment to Project Funding and Reimbursement Agreement which reduced the interest rate to 6% per annum on all previous and future advances.

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 4 Agreements (Continued)

Capital Advance and Reimbursement Agreement

On November 7, 2008, the District and the Developer entered into a Capital Advance and Reimbursement Agreement (the 2008 Capital Agreement), pursuant to which the parties acknowledged that the Developer had incurred organizational costs and advanced funds for capital costs under the Project Funding Agreement in the amount of \$146,103.70 through fiscal year 2008 (the Prior Advances). Under the 2008 Capital Agreement, the District agreed to reimburse the Developer for the Prior Advances and additional Developer advances for capital expenses for each year subsequent to 2008, together with interest of 8%.

Facilities Reimbursement Agreement

On May 21, 2015, the District, The Lakes Metropolitan District No. 2, RH Indigo Trails, LLLP (Indigo Trails) and Meritage Homes of Colorado, Inc. (Meritage) entered into a Facilities Reimbursement Agreement, pursuant to which Meritage agreed to construct certain public improvements, and directed District Nos. 1 and 2 to reimburse Indigo Trails for such costs, together with interest of 8%, from revenues derived from a mill levy imposed by District No. 2.

Intergovernmental Agreement Regarding Cost Sharing and Reimbursement

On June 8, 2021, the District and The Lakes Metropolitan District No. 3-6 entered into an *Intergovernmental Agreement Regarding Cost Sharing and Reimbursement*, in which District Nos. 3-6 have agreed to reimburse combined prior costs advanced by District No. 1 which were allocated to each respective district. The prior costs will accrue at a simple interest rate of 6% per annum until fully paid. The District paid District No. 1 \$0 for the year ended December 31, 2024 related to the District's portion of the prior costs as outlined in this agreement.

Operation Funding Agreements

The District has entered into the following agreements for reimbursement of advances from Developer entities for operation expenses.

2007 Operation Funding Agreement

On March 7, 2007, the District and the Developer entered into an Operation Funding Agreement (the 2007 OFA) pursuant to which the District agreed to reimburse the Developer for funds advanced to pay operations and maintenance expenses incurred by the District during fiscal year 2007, together with interest of 8%.

2008 Operation Funding Agreement

On December 19, 2008, the District and the Developer entered into an Operation Funding Agreement (the 2008 OFA) pursuant to which the parties acknowledged the Developer had advanced \$41,829 to the District under the 2007 OFA (the 2007 Advances) and the District agreed to reimburse the Developer for the 2007 Advances and additional Developer advances for operations and maintenance costs incurred by the District during fiscal year 2008 and each subsequent year, together with interest of 8%.

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 4 Agreements (Continued)

2015-2016 Operation Funding Agreement

On May 21, 2015, the District and Indigo Trails entered into the 2015-2016 Operation Funding Agreement, pursuant to which the District agreed to reimburse Indigo Trails for funds advance to pay operations and maintenance costs incurred by the District during fiscal years 2015, 2016 and 2017, together with interest of 8%.

With the acknowledgement and consent of the Developer, the District's obligation to reimburse the Developer under the 2008 Capital Agreement in the estimated principal amount of \$175,953 and the 2007 OFA and 2008 OFA in the estimated amount of \$134,961, was subordinated to the District's obligation to reimburse Indigo Trails under the Current OFA.

On November 9, 2016 the District entered into the First Amendment To 2015-2016 Operation and Funding Agreement. Under this agreement Indigo Trails agreed to fund the shortfall amount to an amount not to exceed \$100,000.

On December 11, 2017 the District entered into the Second Amendment To 2015-2016 Operation and Funding Agreement. Under this agreement Indigo Trails agreed to fund the shortfall amount to an amount not to exceed \$110,600.

On November 14, 2018 the District entered into the Third Amendment To 2015-2016 Operation and Funding Agreement. Under this agreement Indigo Trails agreed to fund the shortfall amount to an amount not to exceed \$110,600.

Facilities Funding, Construction and Operations Agreement

On January 22, 2007, the District and District Nos. 2-4 entered into a Facilities Funding, Construction and Operations Agreement (the FFCOA), which establishes certain expectations regarding the financing, construction, operation and maintenance of public improvements as contemplated in the Districts' service plans. This agreement was terminated on December 15, 2017.

The District is designated as the Management District for the purpose of coordinating such activities and providing administrative services for the District and District Nos. 2-4 and each of District Nos. 2-4 agree to pay their pro rata share of such costs from mill levy revenues, bond proceeds or other legally available revenues in accordance with the terms of the FFCOA.

Funding and Reimbursement Agreement

On June 8, 2021 the District entered into two funding and reimbursement agreements, one for Capital Costs and one for Operations and Maintenance, with Farmlore Ltd. Both the Capital Costs and Operations and Maintenance Funding Agreements provided that Farmlore LTD agreed to loan to the District one or more sums of money, not to exceed \$50,000 per year for up to two years for a total aggregate amount of \$100,000 each. Both agreements initially terminated on December 31, 2023 and advances under each agreement contains a simple interest rate of 6% as of the date of the advance. These agreements were both amended on November 9, 2022 to increase the annual funding

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 4 Agreements (Continued)

amount to \$75,000 per year for two years not to exceed \$150,000 and the funding periods were extended to December 31, 2024. Both agreements provide for automatic one-year extensions unless Farmlore provides written notice to the District of termination at least 30 days prior to the December 31st of each year.

District Coordinating Services Agreement

On June 19, 2018 the District entered into a *District Coordinating Services Agreement*. This agreement establishes District No.1 as the coordinating district and the District, District No. 3, District No. 5, and District No. 6 each as a financing district. As part of the agreement the coordinating district agreed to perform the administrative services for the Financing Districts and the coordinating district will own, operate and maintain all public improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the City, the County or other public entity. The financing district shall be responsible for any and all costs, fees, charges, and expenses incurred by the coordinating district in providing the administrative services and the operation and maintenance services.

Capital and Operations Costs Pledge Agreement

The District and District No. 4 entered into a *Capital and Operations Costs Pledge Agreement*, dated as of June 8, 2021, and pursuant to which the District and District No. 1 agreed to evidence the amount of \$301,608 as the District's allocable amount as set forth in the Cost Sharing IGA and agreed that the agreement constitutes an indebtedness or multiple fiscal year financial obligation pursuant to Article X, Section 20 of the Colorado Constitution. That amount will accrue interest at a simple interest rate of 6% per annum until paid. The District agreed to impose a mill levy of fifty (50) mills, subject to adjustment and the limitations of applicable law, including the District's electoral authorization. The District's obligations under the agreement will not terminate until the amount is paid in full.

Assignment of and Second Amendment to Capital Improvements Pledge Agreement

On June 15, 2020 and as amended on June 8, 2021, the District entered into an *Assignment of and Second Amendment to Capital Improvements Pledge Agreement* with District No. 3, No. 4, This agreement assigns all rights and obligations relating to the *Capital Improvements Pledge Agreement as amended* dated June 15, 2020 from District No. 1 to District No. 4 and amends the term "Payment Obligation" to include applicable interest equal to District No. 4's Limited Tax General Obligation Bonds, Series 2021A. Additionally the agreement amends paragraph 4(b) to establish project costs and the proposed allocation, including applicable interest equal to District No. 4's bond interest rate. It also amended paragraph 4(c) to require District No. 4 to notify

District No. 3 of its determination of the amount of Project Costs allocable to District No. 3 upon to the award of any contract for construction of the Improvements and to require interest equal to District No. 4's bond interest rate.

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 5 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, the Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

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 unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves, which 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. As of December 31, 2024, the District established an emergency reserve of \$210,840.

Note 6 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation, and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded the District's commercial coverage in the last three years.

Note 7 Related Parties

Multiple members of the Board of Directors are officers or employees of owners (or affiliated entities) of property within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board.

The Lakes Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2024

Note 8 Authorized but Unissued Debt

At December 31, 2024 the District has authorized but unissued debt for the following purposes:

| Purpose | Principal Amount Voted at 2006, 2014 and 2020 Elections | Principal Amount of Voted Authorization Allocated to Bonds | Principal Amount of Voted Debt Authorization Remaining from 2006 and 2014 Election |
|----------------------------------|---|--|--|
| Street | \$ 280,000,000 | \$ 9,698,706 | \$ 270,301,294 |
| Parks and Recreation | \$ 280,000,000 | 2,866,876 | 277,133,124 |
| Water | \$ 280,000,000 | 2,305,650 | 277,694,350 |
| Sanitation / Storm Sewer | \$ 280,000,000 | 5,208,768 | 274,791,232 |
| Public Transportation | \$ 280,000,000 | - | 280,000,000 |
| Mosquito Control | 140,000,000 | - | 140,000,000 |
| Safety Protection | \$ 280,000,000 | - | 280,000,000 |
| Fire Protection | 200,000,000 | - | 200,000,000 |
| Television Relay / Translation | 200,000,000 | - | 200,000,000 |
| Security | 200,000,000 | - | 200,000,000 |
| TOTAL PUBLIC IMPROVEMENTS | 2,420,000,000 | 20,080,000 | 2,399,920,000 |
| Operations and Maintenance | 205,000,000 | - | 205,000,000 |
| Refunding | \$ 280,000,000 | - | 280,000,000 |
| Intergovernmental Agreements | \$ 280,000,000 | - | 280,000,000 |
| Private Agreements | 120,000,000 | - | 120,000,000 |
| Mortgage | 120,000,000 | | |
| In-District Special Assessments | 120,000,000 | - | 120,000,000 |
| GRAND TOTAL | \$ 3,545,000,000 | \$ 20,080,000 | \$ 3,404,920,000 |

The maximum total aggregate principal amount of debt that may be issued or incurred by all of the Districts combined shall not exceed \$120,000,000 without the prior approval of the Brighton City Council.