

The Lakes at Centerra Metropolitan District No. 2
Larimer County, Colorado

AUDITORS' REPORT AND FINANCIAL STATEMENTS
December 31, 2023 and 2022





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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
The Lakes at Centerra Metropolitan District No. 2

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of The Lakes at Centerra Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Prior Period Financial Statements

The financial statements of The Lakes at Centerra Metropolitan District No. 2 as of December 31, 2022 were audited by other auditors whose report dated November 6, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Matters

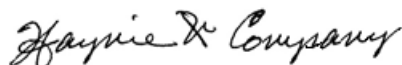
Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the General Fund – Budgetary Comparison Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Lakes at Centerra Metropolitan District No. 2's financial statements as a whole. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. Sincerely,



Littleton, Colorado

August 16, 2024

BASIC FINANCIAL STATEMENTS

The Lakes at Centerra Metropolitan District No. 2
Statements of Net Position
December 31, 2023

	Governmental Activities	
	2023	2022
Assets		
Cash and investments	\$ 2,398,749	\$ 2,301,604
Accounts receivable	8,427	20,429
Property taxes receivable	1,544,637	1,124,682
Total assets	3,951,813	3,446,715
Liabilities		
Due to other government	13,126	1,162
Accrued interest	3,404,662	2,283,668
Noncurrent liabilities		
Due within one year	310,000	175,000
Due in more than one year	49,028,168	49,341,163
Total liabilities	52,755,956	51,800,993
Deferred inflows of resources		
Deferred property tax revenues	1,544,637	1,124,682
	1,544,637	1,124,682
Net position		
Restricted for emergencies	7,742	7,260
Restricted for debt service	2,394,050	2,320,871
Unrestricted	(52,750,572)	(51,807,091)
Total net position	\$(50,348,780)	\$(49,478,960)

See accompanying notes to basic financial statements

The Lakes at Centerra Metropolitan District No. 2
Statement of Activities
For the Years Ended December 31, 2023 and 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>2023</u>	<u>2022</u>
Primary government					
Governmental activities:					
General government	\$ 287,727	\$ 715,164	\$ -	\$ 427,437	\$ (281,206)
Interest on long-term debt	<u>2,620,349</u>	<u>-</u>	<u>-</u>	<u>(2,620,349)</u>	<u>(1,818,342)</u>
Total governmental activities	<u>\$ 2,908,076</u>	<u>\$ 715,164</u>	<u>\$ -</u>	<u>(2,192,912)</u>	<u>(2,099,548)</u>
General Revenues:					
Interest				\$ 119,199	\$ 44,748
Property taxes				1,122,875	1,053,177
Specific ownership taxes				81,018	75,296
Special Items:					
Transfer to District No. 1				<u>-</u>	<u>(16,316,276)</u>
Total general revenues				<u>1,323,092</u>	<u>(15,143,055)</u>
Change in net position				(869,820)	(17,242,603)
Net Position - Beginning, as restated				<u>(49,478,960)</u>	<u>(32,236,357)</u>
Net Position - Ending				<u>\$ (50,348,780)</u>	<u>\$ (49,478,960)</u>

See accompanying notes to basic financial statements

The Lakes at Centerra Metropolitan District No. 2
Balance Sheet
Governmental Funds
For the Years Ended December 31, 2023 and 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	
			<u>2023</u>	<u>2022</u>
Assets				
Cash and investments	\$ -	\$ 2,398,749	\$ 2,398,749	\$ 2,301,604
Accounts receivable	1,126	7,301	8,427	20,429
Property taxes receivable	1,544,637	-	1,544,637	1,124,682
Total assets	<u>\$ 1,545,763</u>	<u>\$ 2,406,050</u>	<u>\$ 3,951,813</u>	<u>\$ 3,446,715</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Due to other government	\$ 1,126	\$ 12,000	\$ 13,126	\$ 1,162
Total liabilities	<u>1,126</u>	<u>12,000</u>	<u>13,126</u>	<u>1,162</u>
Deferred inflows of resources				
Deferred property taxes	1,544,637	-	1,544,637	1,124,682
Fund balance				
Restricted for emergencies	7,742	-	7,742	7,260
Restricted for debt service	-	2,394,050	2,394,050	2,320,871
Unassigned	(7,742)	-	(7,742)	(7,260)
Total fund balances	<u>-</u>	<u>2,394,050</u>	<u>2,394,050</u>	<u>2,320,871</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,545,763</u>	<u>\$ 2,406,050</u>	<u>\$ 3,951,813</u>	<u>\$ 3,446,715</u>

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

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable (\$49,338,168) and accrued interest of (\$3,404,662)		(52,742,830)		(51,799,831)
Net position of governmental activities		<u>\$ (50,348,780)</u>		<u>\$ (49,478,960)</u>

See accompanying notes to basic financial statements

The Lakes at Centerra Metropolitan District No. 2
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds	
			2023	2022
Revenues				
Taxes	\$ 257,971	945,922	\$ 1,203,893	\$ 1,128,473
Service fees	-	715,164	715,164	495,088
Interest and other income	103	119,096	119,199	44,748
Total revenues	258,074	1,780,182	2,038,256	1,668,309
Expenditures				
Current				
Payment for services to District No. 1	253,260	12,000	265,260	779,339
Treasurer's fees	4,814	17,653	22,467	
Debt service				
Principal	-	175,000	175,000	-
Interest	-	1,502,350	1,502,350	1,502,350
Total expenditures	258,074	1,707,003	1,965,077	2,281,689
Excess (deficiency) of revenues over expenditures	-	73,179	73,179	(613,380)
Other financing sources and uses				
Bond proceeds	-	-	-	16,316,276
Developer contributions	-	-	-	528,486
Transfer to District No. 1	-	-	-	(16,316,276)
Total other financing sources and uses of funds	-	-	-	528,486
Net change in fund balances	-	73,179	73,179	(84,894)
Fund balance, beginning of year	-	2,320,871	2,320,871	2,405,765
Fund balance, end of year	\$ -	\$ 2,394,050	\$ 2,394,050	\$ 2,320,871

See accompanying notes to basic financial statements

The Lakes at Centerra Metropolitan District No. 2
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2023

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

Net changes in fund balances - Total governmental funds	\$	73,179
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Amortization of bond premium	2,995	
Repayment of long-term debt principal	175,000	<u>177,995</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	<u>(1,120,994)</u>
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Change in net position of governmental activities	<u>\$ (869,820)</u>
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See accompanying notes to basic financial statements

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

1. Definition of Reporting Entity

The Lakes at Centerra Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed pursuant the Colorado Special District Act (§32-1-101, et al, C.R.S.). The District operates under a service plan initially approved by the City of Loveland on September 4, 2007. The District’s service area is located in Larimer County, Colorado.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body. Board members are elected or can be appointed to fill a vacancy if necessary.

Pursuant to governmental accounting standards the District is financially accountable for any organizations that make up its legal entity. It is also financially accountable for any legally separate organizations if the District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District has determined that it is not financially accountable to any organizations and does not include additional organizations in its reporting entity.

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

2. Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles (“GAAP”) as applicable to governments. The following is a summary of the more significant policies:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support. The District does not report any business-type activities.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies

The Statement of Activities demonstrates the degree to which the direct expenses of the 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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected 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 year.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the construction of public infrastructure and other capital improvements and the repayment of related debt within the District.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies

Cash and Investments

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type Statement of Net Position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the financial statements 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 and fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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 be imposed on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes are considered fully collectible and are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Net Position

The government-wide financial statements utilize a net position presentation. Net position components are investment in capital assets, restricted, or unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of related debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact. The District has no nonspendable balances at December 31, 2023.

Restricted fund balance - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District also classifies the fund balances in the Debt Service as restricted for debt service repayment.

Committed fund balance - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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. The District did not have any committed resources as of December 31, 2023.

Assigned fund balance - The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. As of December 31, 2023, the District does not report any assigned fund balances.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Unassigned fund balance - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

The District would typically first spend restricted fund balances, followed by committed resources, and then assigned resources, as appropriate opportunities arise. The District reserves the right to selectively spend the Unassigned balance.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board at a public hearing.
- Budgets are legally adopted for all funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

4. Cash and Investments

Deposits

Custodial Credit Risk – Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by 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 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 has no policy regarding custodial credit risk for deposits.

At December 31, 2023, the District had no deposits with financial institutions.

Investments

Interest Rate Risk

The District adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments must be consistent with the non-cash requirements of the District, except for liquid investments where the average duration may not exceed two years and the maximum duration may not exceed 5 years.

Credit Risk

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

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

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

4. Cash and Investments (continued)

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Investments (continued)

Local Government Investment Pool

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

<u>Investment</u>	<u>Maturity</u>	<u>Net Asset Value</u>
Colostrust	Weighted average under 60- days	<u>\$ 2,398,749</u>

The District 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. The three portfolios differ in the types of the investments held, but all invest in investments allowed by Colorado statutes for local governments. COLOTRUST PRIME AND COLOTRUST PLUS+ invest in securities with a weighted average maturity of 60 days or less, while COLOTRUST EDGE invests in securities with a weighted average maturity of less than five years. 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. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Restricted Cash

At December 31, 2023, \$2,398,749 was restricted in the Debt Service Fund to comply with debt service requirements.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

5. Long-Term Debt

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Due In</u> <u>One Year</u>
2018A Bonds	\$ 29,035,000	\$ -	\$ 175,000	\$ 28,860,000	\$ 310,000
2018B Bonds	4,090,000	-	-	4,090,000	-
2018 Premium	74,887	-	2,995	71,892	-
			-	-	
2022C Bonds	8,500,000	-	-	8,500,000	-
2022D Bonds	7,816,276	-	-	7,816,276	-
Total	<u>\$ 49,516,163</u>	<u>\$ -</u>	<u>\$ 177,995</u>	<u>\$ 49,338,168</u>	<u>\$ 310,000</u>

2018 Bonds Payable

On March 15, 2018, the District issued Limited Tax General Obligation Refunding and Improvement Bonds Series 2018A in the amount of \$29,035,000 and Subordinate Limited Tax General Obligation Bonds, Series 2018B in the amount of \$4,090,000. The bonds carry interest rates ranging from 4.625% to 7.625%. Interest payments on the 2018A Bonds are due semi-annually on June 1 and December 1 beginning in June 2018. Interest payments on the 2018B Bonds are due on December 1 beginning in December 2018. Principal payments are due annually on December 1 beginning in December 2023 through 2047.

Proceeds of the 2018A bonds were used to finance and reimburse the costs of public improvements necessary for the development within the District and The Lakes at Centerra Metropolitan District No. 3 (the "Pledge District"), refund the District's outstanding limited tax general obligation debt, fund the Senior Reserve Fund, pay capitalized interest on the 2018A bonds, and pay the cost of issuing the 2018A bonds. Proceeds of the 2018B bonds were used to finance and reimburse the costs of public improvements necessary for development within the Pledge Districts and pay the costs of issuing the 2018B bonds.

The 2018A bonds are secured and payable from the senior pledged revenue, to the extent available, consisting of moneys derived by the District from all senior property tax revenues, all senior specific ownership tax revenue, and any other legally available moneys which the District determines to credit the Senior Bond Fund. Senior Property tax revenues are derived from the imposition of taxes derived from the Senior Required Mill Levy of the District, net of costs of collection and any tax refunds or abatements authorized by or on behalf of the County, plus taxes derived from the senior mill levy imposed by Lakes of Centerra Metropolitan District No. 3.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

5. Long-Term Debt (continued)

The 2018B bonds are subordinate limited tax general obligations and are secured by and payable from the subordinated pledged revenue, to the extent available, consisting of moneys derived by the District from all subordinate property tax revenues, all subordinate specific ownership tax revenue, and any other legally available moneys which the District determines, at its sole discretion, to credit the Subordinate Bond Fund. Subordinate property tax revenues are derived from the imposition of taxes derived from the subordinate required mill levy of the District, net of costs of collection and any tax refunds or abatements authorized by or on behalf of the County, plus taxes derived from the subordinate required mill levy imposed by Lakes of Centerra Metropolitan District No. 3.

The events of default of the Bonds occur if the District fails or refuses to impose the Senior Required Mill Levy and/or the Subordinate Required Mill Levy or to apply the Pledged Revenue and or the Subordinate Pledged Revenue as required by the Bonds Indentures and does not comply with other customary terms and conditions with normal municipal financing as described in the Bonds Indenture.

The District is not required to impose the senior required mill levy for payment of the 2018A bonds or subordinated required mill levy for payment of the 2018B bonds after December 2056.

2022 Bonds Payable

On April 26, 2022, the District issued Junior Lien Limited Tax General Obligation Bonds Series 2022C in the amount of \$8,500,000 and on May 2, 2022, the District issued a Taxable Junior Subordinate Limited Tax General Obligation Bonds, Series 2022D in the amount of \$7,816,276. Proceeds of the 2022C and 2022D were used to finance public improvements and to repay the developer for advances made to The Lakes at Metropolitan District No. 1 for costs associated with the provision of public improvements by District No. 1. Series 2022C matures on December 15, 2052 and will bear interest at 7.5% per annum. Series 2022D matures on December 15, 2056 and bears no interest.

Future debt service requirements are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 310,000	\$ 2,452,473	\$ 2,762,473
2025	380,000	2,438,135	2,818,135
2026	475,000	2,420,560	2,895,560
2027	520,000	2,398,592	2,918,592
2028	580,000	2,374,543	2,954,543
2029-2033	3,645,000	11,379,173	15,024,173
2034-2038	5,280,000	10,286,521	15,566,521
2039-2043	7,390,000	8,704,699	16,094,699
2044-2048	14,370,000	6,048,183	20,418,183
2049-2052	16,316,276	2,585,417	18,901,693
Total	\$ 49,266,276	\$ 51,088,296	\$ 100,354,572

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

6. Related Parties

All of the members of the Board are employees of McWhinney Real Estate Services, Inc., manager of Centerra Investments, CR Development, and C I Two (the “Developers”) and may be owners and/or investors in the Developers. The District does not owe the Developers any amounts as of December 31, 2023.

7. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District participates in the Colorado Special Districts Property and Liability Insurance Pool (the “Pool”). The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool. The District funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund.

Settled claims resulting from these risks have not exceeded commercial or District coverages in any of the past three years.

8. Debt Authorization

The District’s Service Plan includes a debt authorization limit of \$50,000,000. As of December 31, 2023, the full amount has been issued.

9. Tax, Spending and Debt Limitations

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

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

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2023, the emergency reserve of \$7,742 was recorded as a restriction of fund balance in the General Fund. 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 legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

The Lakes at Centerra Metropolitan District No. 2
Notes to Financial Statements
December 31, 2023

10. Deficit Net Position

As of December 31, 2023, the District had a government-wide net position deficit of \$48,951,742. The District has a deficit in unrestricted net position because it carries bonds payable that were issued to finance public improvements that were either conveyed to other governmental entities or were transferred to District No.1. The District expects to eliminate the deficit net position as the District pays down its debt.

11. Subsequent Events

Subsequent events have been evaluated through the Auditors' report date, which is the date the financial statements were available to be issued. During this period, the District was not aware of any material recognizable subsequent events.

12. Prior Period Restatement

The District has restated beginning Net Position in Government-Wide Governmental Activities. The purpose of the restatement is to accurately present the balance of accrued interest on outstanding issued bonds at January 1, 2022 and January 1, 2023. The restatement is summarized as follows:

Restatement in Governmenr-wide Statement of Net Position

	January 1, 2022 as Originally Stated	Restatement	January 1, 2022 as Stated
Accrued interest	151,184	1,288,006	1,439,190
Net Position	(30,948,351)	(1,288,006)	(32,236,357)
	January 1, 2023 as Originally Stated	Restatement	January 1, 2023 as Stated
Accrued interest	975,556	1,308,112	2,283,668
Net Position	(48,170,848)	(1,308,112)	(49,478,960)

REQUIRED SUPPLEMENTAL INFORMATION

The Lakes at Centerra Metropolitan District No. 2
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2023

	2023			2022 Actual
	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)	
Revenues				
Taxes	\$ 259,072	\$ 257,971	\$ (1,101)	\$ 241,813
Interest and other income	5,000	103	(4,897)	201
Total revenues	<u>264,072</u>	<u>258,074</u>	<u>(5,998)</u>	<u>242,014</u>
Expenditures				
Current				
Payment for Services to District No. 1	254,252	253,260	992	237,496
Treasurer's fees	4,820	4,814	6	4,518
Contingency	5,000	-	5,000	-
Total expenditures	<u>264,072</u>	<u>258,074</u>	<u>5,998</u>	<u>242,014</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statements

SUPPLEMENTAL INFORMATION

The Lakes at Centerra Metropolitan District No. 2
Debt Service Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended December 31, 2023

	<u>2023</u>			<u>2022</u> <u>Actual</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	
Revenues				
Taxes	\$ 949,961	\$ 945,922	\$ (4,039)	\$ 886,660
Service fees	716,279	715,164	(1,115)	495,088
Interest and other income	10,000	119,096	109,096	44,547
Total revenues	<u>1,676,240</u>	<u>1,780,182</u>	<u>103,942</u>	<u>1,426,295</u>
Expenditures				
Current				
Debt service fees	6,000	12,000	(6,000)	520,710
Treasurer fees	17,674	17,653	21	16,565
Other	-	-	-	50
Contingency	10,000	-	10,000	-
Debt Service				
Principal	175,000	175,000	-	-
Interest	1,502,350	1,502,350	-	1,502,350
Total expenditures	<u>1,711,024</u>	<u>1,707,003</u>	<u>4,021</u>	<u>2,039,675</u>
Excess (deficiency) of revenues over expenditures	<u>(34,784)</u>	<u>73,179</u>	<u>107,963</u>	<u>(613,380)</u>
Other financing sources and uses				
Bond proceeds	-	-	-	16,316,276
Developer contributions	-	-	-	528,486
Transfer to District No. 1	-	-	-	(16,316,276)
Total other financing sources and uses of funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>528,486</u>
Net change in fund balance	(34,784)	73,179	107,963	(84,894)
Fund balance, beginning of year	<u>2,277,051</u>	<u>2,320,871</u>	<u>43,820</u>	<u>2,405,765</u>
Fund balance, end of year	<u>\$ 2,242,267</u>	<u>\$ 2,394,050</u>	<u>\$ 151,783</u>	<u>\$ 2,320,871</u>

See accompanying notes to basic financial statements