

BENNETT RANCH METROPOLITAN DISTRICT NO.1

FINANCIAL STATEMENTS
December 31, 2022

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bennett Ranch Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Bennett Ranch Metropolitan District No. 1 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Bennett Ranch 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 funds of Bennett Ranch Metropolitan District No. 1 as of December 31, 2022, 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 Bennett Ranch 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 Bennett Ranch 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 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 Bennett Ranch 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 Bennett Ranch 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Ranch Metropolitan District No. 1's financial statements as a whole. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund, and the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Projects Fund, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.



Longmont, Colorado
July 27, 2023

Basic Financial Statements

Bennett Ranch Metropolitan District No. 1
Statement of Net Position
December 31, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 13,918
Cash and cash equivalents - restricted	5,453,510
Due from County Treasurer	320
Property taxes receivable	376
	5,468,124
Total Current Assets	5,468,124

Noncurrent Assets

Capital Assets	
Nondepreciable	7,159,001
Net Capital Assets	7,159,001
Total Assets	12,627,125

Liabilities

Current Liabilities

Accounts payable	215,448
Retainage payable	314,833
Accrued liabilities	5
Accrued interest	409,505
	939,791
Total Current Liabilities	939,791

Long-Term Liabilities

Long-term debt	13,654,614
Total Long-Term Liabilities	13,654,614
Total Liabilities	14,594,405

Deferred Inflows of Resources

Deferred property tax revenue	376
Total Deferred Inflows of Resources	376

Net Position

Restricted - debt service and capital projects	4,926,228
Restricted for emergencies	1,498
Unrestricted	(6,895,382)
Total Net Position	\$ (1,967,656)

The accompanying notes are an integral part of these financial statements

Bennett Ranch Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2022

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Service</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
General government	\$ 89,921	\$ -	\$ -	\$ (89,921)
Interest and related costs on long-term debt	729,716	-	-	(729,716)
Total Governmental Activities	<u>\$ 819,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(819,637)</u>
General Revenues				
Property taxes				301
Specific ownership taxes				21
Interest income				144,237
Total Revenues				<u>144,559</u>
Change in Net Position				(675,078)
Net Position - Beginning of Year				(1,292,578)
Net Position - End of Year				<u>\$ (1,967,656)</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

Bennett Ranch Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Current Assets				
Cash and cash equivalents - unrestricted	\$ 13,918	\$ -	\$ -	\$ 13,918
Cash and cash equivalents - restricted	-	1,634,586	3,818,924	5,453,510
Due from County Treasurer	58	262	-	320
Property taxes receivable	68	308	-	376
Total Assets	14,044	1,635,156	3,818,924	5,468,124
Liabilities				
Current Liabilities				
Accounts payable	2,737	-	212,711	215,448
Retainage payable	-	-	314,833	314,833
Accrued liabilities	5	-	-	5
Total Liabilities	2,742	-	527,544	530,286
Deferred Inflows of Resources				
Deferred property tax revenue	68	308	-	376
Total Deferred Inflows of Resources	68	308	-	376
Equity				
Fund Balance				
Restricted	1,498	1,634,848	3,291,380	4,927,726
Unassigned	9,736	-	-	9,736
Total Fund Balance	11,234	1,634,848	3,291,380	4,937,462
Total Liabilities, Equity and Deferred Inflows of Resources	\$ 14,044	\$ 1,635,156	\$ 3,818,924	\$ 5,468,124

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

Total Fund Balance	\$ 4,937,462
Amounts reported for governmental funds in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,159,001
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements.	
Bonds payable	(13,327,000)
Developer advance payable	(110,000)
Bond premium, net of amortization	(217,614)
Accrued interest	(409,505)
Total Net Position	\$ (1,967,656)

Bennett Ranch Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 54	\$ 247	\$ -	\$ 301
Specific ownership taxes	4	17	-	21
Interest income	-	31,804	112,433	144,237
Total Revenue	58	32,068	112,433	144,559
Expenditures				
Administrative	49,936	1,463	31,522	82,921
Trustee fees	-	7,000	-	7,000
Debt Service:				
Bond interest	-	544,250	-	544,250
Capital Outlay	-	-	6,185,476	6,185,476
Total Expenditures	49,936	552,713	6,216,998	6,819,647
Revenue Over (Under) Expenditures	(49,878)	(520,645)	(6,104,565)	(6,675,088)
Other Financing Sources and (Uses)				
Developer advances	35,000	-	-	35,000
Transfers	(7,000)	7,000	-	-
Total Other Financing Sources and (Uses)	28,000	7,000	-	35,000
Net Change in Fund Balance	(21,878)	(513,645)	(6,104,565)	(6,640,088)
Fund Balance, Beginning of Year	33,112	2,148,493	9,395,945	11,577,550
Fund Balance, End of Year	\$ 11,234	\$ 1,634,848	\$ 3,291,380	\$ 4,937,462
Total Change in Fund Balance Governmental Fund				\$ (6,640,088)

Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlay is not reported as an expenditure, however the Statement of Activities will report depreciation as an expense.

Capital Outlay	6,185,476
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Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.

(35,000)

Some revenues and expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported in the fund statements.

Accrued interest	(195,246)
Amortization of bond premium	9,780

Change in net position of governmental activities	\$ (675,078)
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Bennett Ranch Metropolitan District No. 1
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 54	\$ 54	\$ -
Specific ownership taxes	3	4	1
Total Revenue	<u>57</u>	<u>58</u>	<u>1</u>
Expenditures			
Administrative	100,300	49,931	50,369
Transfer to BRI	5	5	-
Contingency	103,000	-	103,000
Total Expenditures	<u>203,305</u>	<u>49,936</u>	<u>153,369</u>
Revenue Over (Under) Expenditures	<u>(203,248)</u>	<u>(49,878)</u>	<u>153,370</u>
Other Financing Sources and (Uses)			
Developer advances	203,248	35,000	(168,248)
Transfers	-	(7,000)	(7,000)
Total Other Financing Sources and (Uses)	<u>203,248</u>	<u>28,000</u>	<u>(175,248)</u>
Net Change in Fund Balance	<u>-</u>	<u>(21,878)</u>	<u>(21,878)</u>
Fund Balance, Beginning of Year	<u>20,000</u>	<u>33,112</u>	<u>13,112</u>
Fund Balance, End of Year	<u>\$ 20,000</u>	<u>\$ 11,234</u>	<u>\$ (8,766)</u>

The accompanying notes are an integral part of these financial statements

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements
December 31, 2022

Note 1 Summary of Significant Accounting Policies

Bennett Ranch Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District operates pursuant to a Service Plan as approved on September 25, 2018, and amended on January 12, 2021, by the Town of Bennett Board of Trustees, collectively, the "Service Plan". The District's service area is located in the Town of Bennett, Colorado (Town). The District was established primarily to provide for the planning, design, financing, acquisition, and construction of certain public improvements. The District operates pursuant to a consolidated Service Plan of Bennett Ranch Metropolitan District Nos 1-4, as approved on September 25, 2018, and amended on January 12, 2021, by the Town of Bennett Board of Trustees, collectively, the "Service Plan". The District anticipates that all, or some, of the improvements may be dedicated to various governmental entities, or its designee.

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 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. The major funds used by the District are described below.

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 1 Summary of Significant Accounting Policies (Continued)

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.

Capital Projects Fund- accounts for the revenues received related to the construction and acquisition of capital projects.

Debt Service Fund- accounts for the repayment of long-term debt incurred by the district.

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.

Basis of Accounting

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 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. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 1 Summary of Significant Accounting Policies (Continued)

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 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 is computed using the straight-line method over the estimated useful lives. Estimated useful lives are 30 years for parks and recreation. 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.

Bond issuance costs – In the government-wide financial statements, bond discounts/premiums are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed as incurred

In the fund financial statements, bond discounts/premiums and issuance costs are recognized during the current period. The face amount of debt issued and premiums on issuance are reported as other financing sources. Discounts on debt issuances are reported as other

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 1 Summary of Significant Accounting Policies (Continued)

financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

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 \$0 as of December 31, 2022.

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 4). A reservation of \$1,498 of the General Fund balance has been made in compliance with this requirement. The District had \$4,926,228 restricted for the use of acquisition and construction of public improvements and debt service.

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, 2022.

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 1 Summary of Significant Accounting Policies (Continued)

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, 2022, the assigned fund balance was \$0.

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.

Fund Transfers

For the year ended December 31, 2022 the General fund permanently transferred \$7,000 to the Debt Service fund. This was a one-time transfer in order to finance the payment of trustee fees.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2022, the District’s cash deposits had a carrying balance of \$13,919 with a corresponding bank balance of \$13,919, 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.

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 2 Cash and Investments (Continued)

The Colorado Division 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, 2022, 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.
- 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, 2022, the District had \$5,453,509 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. 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, 2022, the Board had not adopted a formal investment policy.

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 3 Capital Assets

	Balance at 12/31/2021	Additions	Deletions	Balance at 12/31/2022
Nondepreciable				
Easements	\$ 70,000	\$ -	\$ -	\$ 70,000
Construction in Progress	903,525	6,185,476	-	7,089,001
Total Nondepreciable	<u>973,525</u>	<u>6,185,476</u>	<u>-</u>	<u>7,159,001</u>

Note 4 Long-term Debt

The District's long-term debt is as follows:

On January 28, 2021, the District issued 10,885,000 Limited (Tax Convertible to Unlimited Tax) General Obligation Bonds, Series 2021A (Series 2021A Bonds) and \$2,442,000 Subordinate Limited Tax General Obligation Bonds Series 2012B (Series 2021B Bonds). The purpose of these bonds is for the acquisition, construction, of certain public improvements and facilities for the District. The bonds mature on December 1, 2051. The District will begin to make mandatory sinking fund payments beginning in 2028 for the Series 2021A Bonds. There are no scheduled principal payments on the Series 2021B Bonds as they are cash flow bonds and repayment is subject to available pledged revenue. The inability of the District to pay the principal and interest on the Series 2021A does not constitute an event of default. However, the principal will remain outstanding and the interest will compound semiannually. The inability of the District to pay principal and interest on the Series 2021B bonds also does not constitute an event of default. However, the principal will remain outstanding and the interest will also compound semiannually.

If all balances have not been previously paid, the District is no longer required to impose the subordinate required mill levy after December, 2060. On December 15, 2061, any remaining Series 2021B Bonds principal is deemed to be discharged. The interest rate on the Series 2021A Bonds is 5.00% per annum. The interest rate on the Series 2021B Bonds is 7.500% per annum. Interest is payable semi-annually on June 1 and December 1 each year for the Series 2021A Bonds and annually on December 15 of each year for the Series 2021B Bonds, and Principal is payable on December 1 each year for the Series 2021A Bonds and December 15 of each year for the Series 2021B Bonds. The Bonds are secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes and specific ownership taxes which are collected by the County and remitted to the District primarily on motor vehicle licensing. The District is required to fund certain cash accounts including a Senior Surplus Fund with excess property and specific ownership collections. That account was funded with \$973,000 from debt proceeds. The balance of the Senior Surplus Fund as of December 31, 2022 was \$989,351. Until that account balance is \$2,177,000 the mill levy to be imposed is 55.277 mills, as adjusted. The Series 2021A and 2021B Bonds are subject to redemption prior to maturity with a 3% premium beginning on March 1, 2026 and can redeemed without premium beginning on March 1, 2029.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2021A Bonds only. The 2021B Bonds are cash flow in nature, therefore a debt service payment schedule is not provided.

**Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022**

Note 4 Long-term Debt (Continued)

Year Ended December 31,	Principal	Interest	Total
2023	\$ -	\$ 544,250	\$ 544,250
2024	-	544,250	544,250
2025	-	544,250	544,250
2026	-	544,250	544,250
2027	-	544,250	544,250
2028-2032	585,000	2,677,250	3,262,250
2033-2037	1,185,000	2,469,500	3,654,500
2038-2042	1,945,000	2,101,750	4,046,750
2043-2047	2,925,000	1,522,500	4,447,500
2048-2051	4,245,000	617,250	4,862,250
Total	<u>\$ 10,885,000</u>	<u>\$ 12,109,500</u>	<u>\$ 22,994,500</u>

	Balance 12/31/2021	Additions	Reductions	Balance 12/31/2022	Amounts Due Within One Year
Bonds Payable:					
2021A General Obligation Bonds	\$ 10,885,000	\$ -	\$ -	\$ 10,885,000	\$ -
2021B Subordinate General Obligation Bonds	2,442,000	-	-	2,442,000	-
Other Debt:					
Developer advances	75,000	35,000	-	110,000	-
Subtotal	13,402,000	35,000	-	13,437,000	-
Premium on 2021A Bonds	227,394	-	(9,780)	217,614	9,780
Total Long-term Debt	<u>\$ 13,629,394</u>	<u>\$ 35,000</u>	<u>\$ (9,780)</u>	<u>\$ 13,654,614</u>	<u>\$ 9,780</u>

Authorized Debt

On November 6, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$267,000,000 at an interest rate not to exceed 18% per annum. However, the Service Plan of the District limits the debt of the District and Bennett Ranch Metropolitan Districts 2, 3, and 4 to a combined total of \$36,000,000. As of December 31, 2022, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 4 Long-term Debt (Continued)

Authorized Debt (Continued)

Street Improvements	\$ 36,000,000
Traffic and safety improvements	36,000,000
Water improvements	36,000,000
Sanitation improvements	36,000,000
Parks and recreation improvements	36,000,000
Public transportation improvements	36,000,000
Television relay and translation facility	5,000,000
Mosquito control	5,000,000
Security	5,000,000
Fire protection	36,000,000
Total Authorized	267,000,000
Less: Issued debt	(13,327,000)
Remaining Authorized Debt	\$ 253,673,000

Developer Advances

On January 14, 2021, the District entered into a *Funding and Reimbursement Agreement* with LGI Homes – Colorado, LLC (Developer) where the Developer has agreed to fund expenditures relating to operations and maintenance of the District in an amount not to exceed \$100,000. A First Amendment to the Funding and Reimbursement Agreement was entered into on July 24, 2023, with an effective as of December 31, 2022, which increased the maximum advances to account for advances made through December 31, 2022, plus additional amounts not to exceed \$75,000 per annum for 2023 and 2024. In exchange the District has agreed to reimburse the Developer for these expenditures plus simple interest at market rate, which is to be determined at the date of the advance, beginning on the date of advance to the date of repayment. No specific source of funds is pledged, and no other form of security is pledged, to the payment of the reimbursement obligation.

On September 15, 2022, the District entered into a *Construction Funding Loan Agreement* with LGI Homes – Colorado, LLC (Developer) where the Developer has agreed to fund certain public improvements relating to the District in an amount not to exceed \$750,000. In exchange the District has agreed to reimburse the Developer for these expenditures plus simple interest at an annual rate of 8% beginning on the date of advance to the date of repayment. No specific source of funds is pledged, and no other form of security is pledged, to the payment of the reimbursement obligation.

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 exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Bennett Ranch Metropolitan District No. 1
Notes to Financial Statements (Continued)
December 31, 2022

Note 5 Tax, Spending, and Debt Limitation (Continued)

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, 2022, the District reported an emergency reserve of \$1,498 as of December 31, 2022.

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.

Note 8 Commitments and Contingencies

The property in the service area of the District is not completely developed and there is no assurance that it will be developed as currently contemplated or at all. A number of factors may affect the development, including the overall economy of the region, Adams County and north metropolitan Denver in particular. In addition, the Development may be subject to additional approvals from the Town. The collection of property and other taxes is dependent on the development occurring in the District, and the timing of debt service payments is, in part, dependent on the collection of property and other taxes.

Other Supplemental Information

Bennett Ranch Metropolitan District No. 1
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 247	\$ 247	\$ -
Specific ownership taxes	15	17	2
Interest income	900	31,804	30,904
Total Revenue	<u>1,162</u>	<u>32,068</u>	<u>30,906</u>
Expenditures			
Administrative	400	1,463	(1,063)
Treasurer's fees	4	-	4
Trustee fees	7,000	7,000	-
Debt Service:			
Bond interest	544,250	544,250	-
Contingency	5,000	-	5,000
Total Expenditures	<u>556,654</u>	<u>552,713</u>	<u>3,941</u>
Revenue Over (Under) Expenditures	<u>(555,492)</u>	<u>(520,645)</u>	<u>34,847</u>
Other Financing Sources and (Uses)			
Transfers	-	7,000	7,000
Total Other Financing Sources and (Uses)	<u>-</u>	<u>7,000</u>	<u>7,000</u>
Net Change in Fund Balance	<u>(555,492)</u>	<u>(513,645)</u>	<u>41,847</u>
Fund Balance, Beginning of Year	<u>2,148,681</u>	<u>2,148,493</u>	<u>(188)</u>
Fund Balance, End of Year	<u>\$ 1,593,189</u>	<u>\$ 1,634,848</u>	<u>\$ 41,659</u>

The accompanying notes are an integral part of these financial statements

Bennett Ranch Metropolitan District No. 1
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2022

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	\$ 2,000	\$ 112,433	\$ 110,433
Total Revenue	<u>2,000</u>	<u>112,433</u>	<u>110,433</u>
Expenditures			
Administrative	101,500	31,522	69,978
Capital Outlay	7,571,760	6,185,476	1,386,284
Contingency	1,787,707	-	1,787,707
Total Expenditures	<u>9,460,967</u>	<u>6,216,998</u>	<u>3,243,969</u>
Revenue Over (Under) Expenditures	<u>(9,458,967)</u>	<u>(6,104,565)</u>	<u>3,354,402</u>
Net Change in Fund Balance	<u>(9,458,967)</u>	<u>(6,104,565)</u>	<u>3,354,402</u>
Fund Balance, Beginning of Year	<u>9,458,967</u>	<u>9,395,945</u>	<u>(63,022)</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 3,291,380</u>	<u>\$ 3,291,380</u>

The accompanying notes are an integral part of these financial statements