

LOWELL METROPOLITAN DISTRICT

2024 ANNUAL REPORT

Pursuant to §32-1-207(3)(c) and the Service Plan for Lowell Metropolitan District (the “District”), the District is required to provide an annual report to the City of Colorado Springs with regard to the following matters:

For the year ending December 31, 2024, the District makes the following report:

Service Plan Requirements

A. Boundary changes made or proposed.

There were no boundary changes made or proposed in 2024.

B. Intergovernmental agreements with other governmental bodies entered into or proposed.

There were no intergovernmental agreements entered into or proposed with other governmental bodies in 2024.

C. Changes or proposed changes in the District’s policies.

There have been no changes or proposed changes in the District’s policies. The District has not adopted any rules and regulations.

D. Changes or proposed changes in the District’s operations.

There have been no changes or proposed changes in the District’s operations.

E. Changes in the financial status of the District including revenue projections or operating costs.

The District also imposes its limited operational mill levy to help pay for District administrative costs. However, the actual amount of such annual revenue generated and available for payment of these costs continues to be limited by the maximum allowed mill levy and overall assessed valuation within the District.

- (i) Notice of any uncured defaults existing for more than ninety days under any debt instrument of the special district - NONE
- (ii) Any inability of the special district to pay its obligations as they come due under any obligation which continues beyond a ninety-day period. § 32-1-207(3)(c)(II), C.R.S. - NONE

F. A summary of any litigation involving the District.

To our actual knowledge, based on review of the court records in El Paso County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2024.

G. Proposed plans for the year immediately following the year summarized in the Annual Report.

The District is in debt repayment and annual compliance administrative mode.

H. Status of public improvement Construction Schedule.

Major infrastructure construction undertaken/financed by the District is complete. Any future infrastructure for the remaining undeveloped portions within the District will not be undertaken by the District as it has reached its allowed Service Plan bonding authorization.

I. A list of all facilities and improvements constructed by the District that have, or are intended to be dedicated to and accepted by the City.

All public facilities/improvements were previously conveyed to the City.

J. Summary of current assessed valuation in the District.

The District has received a 2024 certification of valuation from the El Paso County Assessor of \$7,621,460, attached hereto as **Exhibit A**.

K. Budget of the District for the reporting year.

The 2025 Budget (which shows prior years 2023 and 2024) for the District is attached hereto as **Exhibit B**.

L. Audited financial statements for the District if applicable.

The 2023 Audit is attached hereto as **Exhibit C**.

§32-1-207(3) Statutory Requirements

A. Boundary changes made.

There were no boundary changes made or proposed in 2024.

B. Intergovernmental agreements entered into or terminated with other governmental entities.

There were no intergovernmental agreements entered into or terminated with other governmental entities in 2024.

C. Access information to obtain a copy of rules and regulations adopted by the board.

The District has not adopted any rules and regulations.

D. A summary of litigation involving public improvements owned by the District.

To our actual knowledge, based on review of the court records in El Paso County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2024.

E. The status of the construction of public improvements by the District.

Major infrastructure construction undertaken/financed by the District is complete. Any future infrastructure for the remaining undeveloped portions within the District will not be undertaken by the District as it has reached its allowed Service Plan bonding authorization.

F. A list of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality.

All public facilities/improvements were previously conveyed to the City.

G. The final assessed valuation of the District as of December 31st of the reporting year.

The District has received a 2024 certification of valuation from the El Paso County Assessor of \$7,621,460, attached hereto as **Exhibit A**.

H. A copy of the current year's budget.

A copy of the 2025 Budget is attached hereto as **Exhibit B**.

I. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

The 2023 Audit is attached hereto as **Exhibit C**.

J. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the District.

To our actual knowledge, the District did not receive notice of any uncured events of default by the District, which continued beyond a ninety (90) day period, under any debt instrument.

K. Any inability of the District to pay its obligations as they come due under any obligation which continues beyond a ninety (90) day period.

To our actual knowledge, there was not any inability of the District to pay its obligations as they came due, in accordance with the terms of such obligations, which continued beyond a ninety (90) day period.

In addition, the annual report includes a one-page summary of the following information:

1. Assessed value of taxable property within the District.
2. Total acreage of property within the District.
3. The District's indebtedness (stated separately for each class of debt).
4. The District's debt service (stated separately for each class of debt).
5. The District's tax revenue.
6. Other revenues of the District.
7. Public improvement expenditures.
8. Other District expenditures.

Lowell Metropolitan District 2024 Annual Report Summary Report

1. 2024 Assessed value of taxable property within the District.

\$7,621,460.

2. Total acreage of property within the District.

48.6 acres more or less.

3. The District's indebtedness (stated separately for each class of debt).

The District refunded its Limited Tax General Obligation Bonds, Series 2004 Bonds through its June 20, 2023 issuance of its General Obligation Limited Tax Refunding Bonds, Series 2023A in the amount of \$4,900,000 and its Subordinate General Obligation Limited Tax Refunding Bonds, Series 2023B in the amount of \$1,831,000.

4. The District's debt service (stated separately for each class of debt).

Principal on the Series 2023A Bonds is due December 1 annually; interest is due June 1 and December 1 annually.

Principal on the Series 2023B Bonds is due December 1 annually; interest is due June 1 and December 15 annually.

Budgeted and actual debt service payments are reflected in the budget attached hereto as **Exhibit B**.

5. The District's tax revenue.

In 2024 the District's ad valorem property tax revenue was approximately \$563,516.

6. Other revenues of the District.

- See Budget, attached hereto as **Exhibit B**.
- Specific ownership taxes (See Budget, attached hereto as **Exhibit B**).

7. Public improvement expenditures.

None. Public improvement construction/financing by the District concluded years ago.

8. Other District expenditures.

In addition to debt service expenses, the Budget describes other expenditures such as various annual administrative expenses (See Budget, attached hereto as **Exhibit B**).

EXHIBIT A
2024 Assessed Valuation

CERTIFICATION OF VALUATION BY EL PASO COUNTY ASSESSOR

Name of Jurisdiction: **130 - LOWELL METRO DISTRICT**

IN EL PASO COUNTY ON 11/25/2024

New Entity: No

| |
|--|
| USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY |
|--|

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2024 IN EL PASO COUNTY, COLORADO

| | |
|--|-------------|
| 1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: | \$7,552,930 |
| 2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: * | \$7,852,390 |
| 3. LESS TIF DISTRICT INCREMENT, IF ANY: | \$230,930 |
| 4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION: | \$7,621,460 |
| 5. NEW CONSTRUCTION: ** | \$172 |
| 6. INCREASED PRODUCTION OF PRODUCING MINES: # | \$0 |
| 7. ANNEXATIONS/INCLUSIONS: | \$0 |
| 8. PREVIOUSLY EXEMPT FEDERAL PROPERTY: # | \$0 |
| 9. NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD ## OR LAND (29-1-301(1)(b) C.R.S.): | \$0 |
| 10. TAXES COLLECTED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1))(a) C.R.S.): | \$0.00 |
| 11. TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a) C.R.S.) and (39-10-114(1)(a)(I)(B) C.R.S.): | \$0.00 |

* This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec.20(8)(b),Colo.

** New construction is defined as: Taxable real property structures and the personal property connected with the structure.

Jurisdiction must submit respective certifications (Forms DLG 52 AND 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

Jurisdiction must apply (Forms DLG 52B) to the Division of Local Government before the value can be treated as growth in the limit calculation.

| |
|---|
| USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY |
|---|

IN ACCORDANCE WITH THE PROVISION OF ARTICLE X, SECTION 20, COLO CONST, AND 39-5-121(2)(b),C.R.S. THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2024 IN EL PASO COUNTY, COLORADO ON AUGUST 25, 2024

| | |
|--|--------------|
| 1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: @ | \$79,982,139 |
| ADDITIONS TO TAXABLE REAL PROPERTY: | |
| 2. CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: ! | \$122 |
| 3. ANNEXATIONS/INCLUSIONS: | \$0 |
| 4. INCREASED MINING PRODUCTION: % | \$0 |
| 5. PREVIOUSLY EXEMPT PROPERTY: | \$0 |
| 6. OIL OR GAS PRODUCTION FROM A NEW WELL: | \$0 |
| 7. TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT: | \$0 |
| (If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.) | |
| DELETIONS FROM TAXABLE REAL PROPERTY: | |
| 8. DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: | \$0 |
| 9. DISCONNECTIONS/EXCLUSION: | \$0 |
| 10. PREVIOUSLY TAXABLE PROPERTY: | \$0 |

@ This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

! Construction is defined as newly constructed taxable real property structures.

% Includes production from new mines and increases in production of existing producing mines.

| | |
|--|-----|
| IN ACCORDANCE WITH 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS : 1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY:-----> | \$0 |
|--|-----|

NOTE: All levies must be Certified to the Board of County Commissioners NO LATER THAN DECEMBER 15, 2024

| | |
|--|---------|
| IN ACCORDANCE WITH 39-5-128(1.5)C.R.S. THE ASSESSOR PROVIDES: HB21-1312 ASSESSED VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): ** | \$9,509 |
|--|---------|

** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119 f(3). C.R.S.

EXHIBIT B
2025 Budget

**LOWELL METROPOLITAN DISTRICT
2025 BUDGET MESSAGE**

Attached please find a copy of the draft 2025 budget for the Lowell Metropolitan District. The Lowell Metropolitan District has adopted budgets for two funds, a General Fund to provide for the payment of general operating expenditures; and a Debt Service Fund to provide for payments on the outstanding general obligation debt.

The district's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications, and public hearing.

The primary sources of revenue for the district in 2025 will be property taxes. The district intends to impose a mill levy of 58.149 mills on all property within the district for 2024, of which 5.00 mills will be dedicated to the General Fund and the balance of 53.149 mills will be allocated to the Debt Service Fund.

LOWELL METROPOLITAN DISTRICT
BOND FUND
STATEMENTS OF REVENUES AND EXPENDITURES - MODIFIED ACCRUAL BASIS
FORECASTED 2025 BUDGET, WITH 2023 ACTUAL, 2024 BUDGET, AND 2024 ACTUAL AND FORECASTED

| ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2023 | ADOPTED BUDGET FOR THE YEAR ENDED DECEMBER 31, 2024 | ACTUAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 | ACTUAL JANUARY 1, 2024 THROUGH SEPTEMBER 30, 2024 AND FORECAST FOR OCTOBER 1, 2024 THROUGH DECEMBER 31, 2024 | BUDGET FOR THE YEAR ENDING DECEMBER 31, 2025 |
|--|---|---|---|--|
|--|---|---|---|--|

| | | | | | |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|
| BEGINNING FUNDS AVAILABLE | \$ 30,466 | \$ 30,466 | \$ 2,313,393 | \$ 2,313,393 | \$ 2,559,024 |
| REVENUE | | | | | |
| Interest Income | 50 | 5 | 1,259 | 1,679 | 1,800 |
| TIF Revenue from CSDDA | - | 9,288 | 59,514 | 59,514 | 10,000 |
| Property Taxes | 292,537 | 401,431 | 386,296 | 515,061 | 405,073 |
| Specific Ownership Taxes | 30,768 | 40,000 | 28,636 | 38,181 | 38,181 |
| Bond Proceeds - 2023 | 6,731,000 | - | - | - | - |
| Bond Forgiveness - 2004 | 3,668,537 | - | - | - | - |
| Total Revenue | <u>10,722,892</u> | <u>450,724</u> | <u>475,705</u> | <u>614,435</u> | <u>455,054</u> |
| EXPENDITURES | | | | | |
| Bond Fund | | | | | |
| County Treasurer's Collection Fees | 4,408 | 6,000 | 5,805 | 7,740 | 8,000 |
| Debt Interest - 2004 | - | - | - | - | - |
| Debt Interest and Principal - 2023 | 297,978 | 345,210 | 251,204 | 341,204 | 377,241 |
| Debt Principal - 2004 | 7,940,000 | - | - | - | - |
| Debt Issuance Costs - 2023 | 162,186 | - | - | - | - |
| Trustee Fee | 17,000 | 2,650 | - | 3,500 | 4,000 |
| Accounting | 3,319 | 55,030 | 1,800 | 5,386 | 12,103 |
| Audit | 5,760 | 7,000 | 807 | 8,307 | 8,500 |
| Legal | 9,314 | 30,000 | 2,000 | 2,667 | 10,000 |
| Continuing Disclosure Services | - | 2,500 | - | - | - |
| Total Expenditures | <u>8,439,965</u> | <u>448,390</u> | <u>261,616</u> | <u>368,804</u> | <u>419,844</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>2,282,927</u> | <u>2,334</u> | <u>214,089</u> | <u>245,631</u> | <u>35,210</u> |
| ENDING FUNDS AVAILABLE | <u>\$ 2,313,393</u> | <u>\$ 32,800</u> | <u>\$ 2,527,482</u> | <u>\$ 2,559,024</u> | <u>\$ 2,594,234</u> |
| Assessed valuation | | \$ 7,552,930 | | | \$ 7,621,460 |
| Mil levy | | <u>53.149</u> | | | <u>53.149</u> |
| | | <u>\$ 401,431</u> | | | <u>\$ 405,073</u> |

**LOWELL METROPOLITAN DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES AND EXPENDITURES - MODIFIED ACCRUAL BASIS
FORECASTED 2025 BUDGET, WITH 2023 ACTUAL, 2024 BUDGET, AND 2024 ACTUAL AND FORECASTED**

| ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2023 | ADOPTED BUDGET FOR THE YEAR ENDED DECEMBER 31, 2024 | ACTUAL FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 | ACTUAL JANUARY 1, 2024 THROUGH SEPTEMBER 30, 2024 AND FORECAST FOR OCTOBER 1, 2024 THROUGH DECEMBER 31, 2024 | BUDGET FOR THE YEAR ENDING DECEMBER 31, 2025 |
|--|---|---|--|--|
|--|---|---|--|--|

| | | | | | |
|---|-----------------|------------------|------------------|------------------|------------------|
| BEGINNING FUNDS AVAILABLE | \$ (12,788) | \$ (12,788) | \$ 2,914 | \$ 2,914 | \$ 39,146 |
| REVENUE | | | | | |
| Interest Income | - | - | - | - | - |
| TIF Revenue from CSDDA | - | 874 | 5,599 | 5,599 | 1,000 |
| Property Taxes | 27,649 | 37,764 | 36,341 | 48,455 | 38,106 |
| Specific Ownership Taxes | 2,895 | 5,000 | 2,694 | 3,592 | 3,592 |
| Total Revenue | <u>30,544</u> | <u>43,638</u> | <u>44,634</u> | <u>57,646</u> | <u>42,698</u> |
| EXPENDITURES | | | | | |
| County Treasurer's Collection Fees | 415 | 698 | 546 | 728 | 750 |
| Accounting | 312 | 6,250 | 9,615 | 8,615 | 7,500 |
| Audit | 542 | - | - | - | - |
| Insurance | 2,579 | 3,000 | 740 | 987 | 3,000 |
| Legal | 10,983 | 15,000 | 8,229 | 10,972 | 15,000 |
| Miscellaneous | 11 | 20 | 84 | 112 | 5,000 |
| Total Expenditures | <u>14,842</u> | <u>24,968</u> | <u>19,214</u> | <u>21,414</u> | <u>31,250</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>15,702</u> | <u>18,670</u> | <u>25,420</u> | <u>36,232</u> | <u>11,448</u> |
| ENDING FUNDS AVAILABLE | <u>\$ 2,914</u> | <u>\$ 5,882</u> | <u>\$ 28,334</u> | <u>\$ 39,146</u> | <u>\$ 50,594</u> |
| Assessed valuation | | \$ 7,552,930 | | | \$ 7,621,460 |
| Mil levy | | 5.000 | | | 5.000 |
| | | <u>\$ 37,764</u> | | | <u>\$ 38,106</u> |

EXHIBIT C
2023 Audit



LOWELL METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lowell Metropolitan District
Colorado Springs, CO

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of the Lowell Metropolitan District (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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

CBIZ CPAs P.C.

90 South Cascade Avenue, Suite 200 Colorado Springs, CO 80903
Phone: 719.531.0445
cbizcpas.com

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

CBIZ CPAs P.C.

Colorado Springs, Colorado
February 3, 2025

***MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)***

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

Going Concern - The Lowell Metropolitan District (District) has no employees, and as such, they are heavily reliant on paid third party service providers to provide guidance to the Board of Directors. Management, as it is used in the Management Discussion and Analysis, refers to the Board of Directors.

Management assessed the current debt obligations and the District’s ability to continue as a going concern, and their response is below.

The District has a service plan mill levy limitation of 40 mills, subject to a current mill levy adjustment to 54.11 mills, of which 5 mills can be used for operating and maintenance expenses. The District is imposing its maximum Mill Levy, and pledging all “Pledged Revenues,” less the allowable administrative expenses, identified under the indenture to the payment of the Series 2023 and 2023B(3) Bonds (“Bond”). After issuing these two bonds and receiving forgiveness for the remaining principal of the Series 2004 bond, along with an increase in property tax valuation from the construction of new apartment complexes within district boundaries, the District is now meeting annual debt service requirements.

Dissolution of the District would occur only if the District has fulfilled the purpose it was created for, and its debt is current and being paid or has been discharged. The District could then seek dissolution with a plan for continued bonded debt service mill levy being imposed while the District stays in existence to such an extent as necessary to adequately provide for the payment of such outstanding debt. Conditions needed to be able to dissolve do not exist for the District at this time.

The District, by annually certifying its maximum mill levy and pledging all Pledged Revenue to the payment of the Bonds, is performing such covenants under the indenture. The District is imposing the maximum allowed mill levy and using 49.11 mills for debt along with the specific ownership tax revenue. The District will continue to perform its required indenture covenants, just like it has been doing since the Bonds were issued. The District will continue its existence, continue to impose its annual required mill levy, and continue to provide the trustee with the pledged revenues.

The District - The Lowell Metropolitan District is a quasi-municipal corporation and political subdivision of the State, organized pursuant to Title 32, Article 1, Sections 101 et seq. Colorado Revised Statutes, as amended. The District was formed in November 2000.

The District is located in the City of Colorado Springs and El Paso County, Colorado. The District is approximately four blocks from the center of the City’s downtown and is part of the City's South Central Downtown area, a downtown urban platted area that is the subject of the City's South Central Downtown Urban Renewal Plan approved by the City Council of the City on April 26, 1988, as amended. The Lowell Neighborhood possesses historic Victorian architectural sites which have been restored, including its 110-year-old architectural anchor, the Lowell School, which has been completely renovated and converted to an office building. The District currently contains approximately 58 acres.

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

The District - Continued

The District was organized primarily to finance the design, acquisition, installation and construction of water improvements, street improvements, public park and recreation/landscaping improvements and sanitary sewer improvements for the Development.

The Developer and the Development - Lowell Development Partners LLC (Developer), formed in 1998, was selected by the City to develop the Lowell Neighborhood development project, an urban redevelopment project in downtown Colorado Springs, Colorado (Development or Lowell Neighborhood). The boundaries of the Development and the District are virtually coterminous.

Prior to the District's formation, the Urban Renewal Authority of the City of Colorado Springs, Colorado (Renewal Authority) and the Developer, entered into an Agreement for Disposition and Redevelopment dated as of December 16, 1999, pursuant to which the Renewal Authority agreed to make payments from incremental property taxes, remitted to the Renewal Authority by the Treasurer of El Paso County to the Developer, for reimbursement of Developer's costs incurred in connection with the redevelopment of the Lowell Neighborhood.

In accordance with its Service Plan, the District was formed to provide public improvements to be dedicated to the City of Colorado Springs on behalf of Colorado Springs Utilities or to be retained by the District for the use and benefit of the District's property owners, inhabitants and taxpayers. The service plan of the District limits the debt and general mill levy of the District.

In 2000, the qualified electors approved debt authorization of \$11,000,000 to be used for construction of infrastructure.

In December 2004, the bonds were sold to a third party for \$9,300,000. In June 2023, the bonds were refinanced, and two new bonds were issued for a total of \$6,731,000 to pay back a portion of the principal on the 2004 series bonds with the remaining principal and accrued interest forgiven in the amounts of \$1,646,785 and \$3,214,280 respectively. The two bonds issued in 2023 had a principal balance of \$6,671,000 as of December 31, 2023.

OVERVIEW OF FINANCIAL STATEMENTS

The contents of this memorandum are intended to serve as an introduction to the District's basic financial statements.

Government-wide Financial Statements - The government-wide statement of net position and statement of activities are designed to provide readers with a broad overview of the District's finances using the economic resources measurement focus and accrual basis of accounting.

Revenues are recorded when earned and expenses are paid and recorded when a liability is incurred, regardless of the timing of the related cash flow.

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

OVERVIEW OF FINANCIAL STATEMENTS - Continued

The accounts of the District are organized on the basis of funds. Each fund is considered an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other assets, together with all related liabilities, obligations, reserves and equities that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District uses a general fund to monitor its financial resources. The District adopts an annual appropriated budget for the fund. A budgetary comparison statement has been provided.

Comparative Statement of Net Position with Related Comments

| Assets | 2023 | 2022 | Increase (Decrease) |
|--|-----------------------|------------------------|--------------------------------|
| Cash | \$ 130,554 | \$ 10,273 | \$ 120,281 |
| Other Assets | 441,136 | 322,286 | 118,850 |
| Total Assets | \$ 571,690 | \$ 332,559 | \$ 239,131 |
| Liabilities | | | |
| Other Liabilities | \$ 89,526 | \$ 2,948,138 | \$ (2,858,612) |
| Bond Principal Due in One Year | 65,000 | 2,152,000 | (2,087,000) |
| Bonds Payable | 6,606,000 | 5,788,000 | 818,000 |
| Annually Appropriated Reimbursement Obligations - Developer | 1,269,783 | 1,269,783 | - |
| Total Liabilities | \$ 8,030,309 | \$ 12,157,921 | \$ (4,127,612) |
| Deferred Inflows of Resources | | | |
| Property Taxes | \$ 439,195 | \$ 320,345 | \$ 118,850 |
| Net Position (Deficit) | | | |
| Restricted for Emergencies | \$ 219,650 | \$ 29,120 | \$ 190,530 |
| Unrestricted (Deficit) | (8,117,464) | (12,174,827) | 4,057,363 |
| Total Net Position (Deficit) | \$ (7,897,814) | \$ (12,145,707) | \$ 4,247,893 |

Cash – Cash increased due to the timing of remittance to the debt service.

Other Assets – Property tax receivable increased due to increases in property assessments following the construction of additional apartment complexes within the district.

Other Liabilities – The significant decrease is from past due interest payable from the prior year being paid off with the two new bonds. The current year amount is primarily from accounts payable and accrued interest for the two bonds detailed in Note 5.

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

OVERVIEW OF FINANCIAL STATEMENTS – Continued

Bonds Payable – Bonds payable decreased with the issuance of two new bonds and forgiveness of the remaining principal from the 2004 Series Bond.

Net Position – The change in net position is due to the issuance of two new bonds, along with the principal and interest payments and the forgiveness of the remainder of the 2004 series bond.

Comparative Statement of Activities with Related Comments

| Expense | 2023 | 2022 | (Increase) Decrease |
|---|-----------------------|------------------------|--------------------------------|
| General and Administrative | \$ 466,370 | \$ 49,985 | \$ (416,385) |
| County Treasurer Fee | 4,823 | 5,033 | 210 |
| Interest | 497,245 | 575,650 | 78,405 |
| Total Expense | 968,438 | 630,668 | (337,770) |
| Revenue | | | |
| Tax | 355,216 | 334,660 | (20,556) |
| Interest | 50 | 2,348 | 2,298 |
| Gain on Forgiven Bond Principal | 1,646,785 | - | (1,646,785) |
| Gain on Forgiven Bond Interest | 3,214,280 | - | (3,214,280) |
| Total Revenue | 5,216,331 | 337,008 | (4,879,323) |
| Change in Net Position | 4,247,893 | (293,660) | 4,541,553 |
| Net Position | | | |
| Beginning of the Year (Restated) | (12,145,707) | (11,852,047) | (293,660) |
| End of the Year | \$ (7,897,814) | \$ (12,145,707) | \$ 4,247,893 |

General and Administrative – Expenses increased in 2023 due to bond issuance costs for the 2023 series bonds.

Tax Revenue – Property assessments increased for taxes collected in 2023.

Gain on Forgiven Bond Principal – With the 2023 series bonds, the district paid off a portion of the principal still owed on the 2004 series bond. This amount represents the remaining amount forgiven following the issuance of the 2023 series bonds.

Gain on Forgiven Bond Interest – The remaining past due interest for the 2004 series bonds was forgiven following the issuance of the 2023 series bonds.

**LOWELL METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023**

OVERVIEW OF FINANCIAL STATEMENTS – Continued

| | Original and Final Budget | | |
|----------------------------------|---------------------------|---------------|------------|
| | Budgeted Amounts | | |
| | Original | Final | Change |
| Revenue | | | |
| Taxes | \$ 355,374 | \$ 355,374 | \$ - |
| Interest Income | 7 | 7 | - |
| Total Revenue | 355,381 | 355,381 | - |
| Expenditure | | | |
| Debt Service | 303,192 | 303,192 | - |
| Other Expenditures | 52,189 | 52,189 | - |
| Total Expenditure | 355,381 | 355,381 | - |
| Other Financing Sources | | | |
| Bond Proceeds | - | 11,676,171 | 11,676,171 |
| Revenue Under Expenditure | \$ - | \$ 11,676,171 | \$ - |

| | Budget and Actual Statement of Activities Comparison | | |
|---------------------------------|--|------------------------------|--|
| | Final Budget | Actual Budgetary Basis | Variance Favorable (Unfavorable) |
| | Revenue | | |
| Taxes | \$ 355,374 | \$ 355,216 | \$ (158) |
| Interest Income | 7 | 50 | 43 |
| Total Revenue | 355,381 | 355,266 | (115) |
| Expenditure | | | |
| Debt Service | 303,192 | 6,850,460 | (6,547,268) |
| Other Expenditures | 52,189 | 471,193 | (419,004) |
| Total Expenditure | 355,381 | 7,321,653 | (6,966,272) |
| Other Financing Sources | | | |
| Bond Proceeds | 11,676,171 | 8,331,000 | (3,345,171) |
| Revenue Over Expenditure | \$ 11,676,171 | \$ 1,364,613 | \$ (10,311,558) |

Expenditures – Expenditures required for issuance of the new bonds were higher than budgeted.

Requests for Information - Additional information or questions may be addressed to the Lowell Metropolitan District, 2154 East Commons Avenue, Suite 2000, Centennial, Colorado, 80122.

FINANCIAL STATEMENTS

LOWELL METROPOLITAN DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2023

| | Governmental Fund | Adjustments | Statement of Net Position |
|---|------------------------------|-----------------------|--------------------------------------|
| ASSETS | | | |
| Cash | \$ 127,967 | \$ - | \$ 127,967 |
| Cash with County Treasurer | 2,587 | - | 2,587 |
| Property Tax Receivable | 439,195 | - | 439,195 |
| Prepaid Expense | 1,941 | - | 1,941 |
| | | | |
| Total Assets | \$ 571,690 | \$ - | \$ 571,690 |
| LIABILITIES | | | |
| Accounts Payable | \$ 66,276 | \$ - | \$ 66,276 |
| Accrued Interest Payable | 20,750 | - | 20,750 |
| Accrued Liabilities | 2,500 | - | 2,500 |
| Bond Principal Due in One Year | - | 65,000 | 65,000 |
| Bonds Payable | - | 6,606,000 | 6,606,000 |
| Annually Appropriated Reimbursement Obligations - Developer | - | 1,269,783 | 1,269,783 |
| | | | |
| Total Liabilities | \$ 89,526 | \$ 7,940,783 | \$ 8,030,309 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | \$ 439,195 | \$ - | \$ 439,195 |
| | | | |
| FUND BALANCES | | | |
| Nonspendable | \$ 1,941 | \$ (1,941) | \$ - |
| Restricted for TABOR | 219,650 | (219,650) | - |
| Unassigned | (178,622) | 178,622 | - |
| | | | |
| Total Fund Balances | 42,969 | (42,969) | - |
| | | | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 571,690 | | |
| NET POSITION (DEFICIT) | | | |
| Restricted for Emergencies | | 219,650 | 219,650 |
| Unrestricted Deficit | | (8,117,464) | (8,117,464) |
| | | | |
| Total Net Position (Deficit) | | \$ (7,897,814) | \$ (7,897,814) |

See Notes to Financial Statements

**LOWELL METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

| | | |
|---|----|--------|
| Fund Balance Per the Governmental Fund Balance Sheet | \$ | 42,969 |
|---|----|--------|

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental fund; however, those liabilities are reported on the statement of net position. Such liabilities at year end consisted of:

| | | |
|-------------------------------------|-------------|-------------|
| Bonds Payable | (6,671,000) | |
| Annually Appropriated Reimbursement | | |
| Obligations - Developer | (1,269,783) | |
| Total | | (7,940,783) |

| | | |
|--|----|---------------------------|
| Total Net Position (Deficit) Per Government-wide Financial Statements | \$ | <u><u>(7,897,814)</u></u> |
|--|----|---------------------------|

LOWELL METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE,
EXPENDITURE, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

| | <u>Governmental Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|------------------------------|---------------------|------------------------------------|
| Expenditure/Expense | | | |
| County Treasurer's Collection Fee | \$ 4,823 | \$ - | \$ 4,823 |
| Accounting and Audit | 9,933 | - | 9,933 |
| Insurance | 2,579 | - | 2,579 |
| Legal | 274,070 | - | 274,070 |
| Trust Fees | 11 | - | 11 |
| Bond Expense | 1,100 | - | 1,100 |
| Miscellaneous | 178,676 | - | 178,676 |
| Debt Service | | | |
| Interest | 497,245 | - | 497,245 |
| Principal | 6,353,215 | (6,353,215) | - |
| Total Expenditure/Expense | <u>7,321,653</u> | <u>(6,353,215)</u> | <u>968,438</u> |
| Revenue | | | |
| Property Tax | 321,554 | - | 321,554 |
| Specific Ownership Tax | 33,662 | - | 33,662 |
| Interest | 50 | - | 50 |
| Gain on Forgiven Bond Principal | - | (1,646,785) | 1,646,785 |
| Gain on Forgiven Bond Interest | - | - | 3,214,280 |
| Total Revenue | <u>355,266</u> | <u>(1,646,785)</u> | <u>5,216,331</u> |
| Other Financing Sources | | | |
| Bonds Issued | 6,731,000 | (6,731,000) | - |
| Principal Payment | 1,600,000 | (1,600,000) | - |
| Total Other Financing Sources | <u>8,331,000</u> | <u>(8,331,000)</u> | <u>-</u> |
| Change in Fund Balance/Net Position | 1,364,613 | 13,037,430 | 4,247,893 |
| Fund Balance/Net Position | | | |
| Beginning of the Year (Restated) | <u>(1,321,644)</u> | <u>(10,824,063)</u> | <u>(12,145,707)</u> |
| End of the Year | <u>\$ 42,969</u> | <u>\$ 2,213,367</u> | <u>\$ (7,897,814)</u> |

See Notes to Financial Statements

**LOWELL METROPOLITAN DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUE, EXPENDITURE AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balance - Governmental Fund \$ 1,364,613

**Amounts Reported for Governmental Activities in the
Statement of Activities Are Different Because:**

Matured liabilities, including the matured portion of long-term indebtedness, are reported as liabilities and expenditures in the governmental fund as they come due for payment; however, principal payments and the matured portion of long-term indebtedness are not reported on the statement of net position.

2,883,280

Change in Net Position

\$ 4,247,893

NOTES TO FINANCIAL STATEMENTS

LOWELL METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lowell Metropolitan District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

The District's annual financial reports include the accounts and funds of all District operations presented in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Going Concern Issues Arising from the Inability to Pay Material Obligations as They Become Due

Management assesses the District's ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. After refinancing their debt, along with the recent construction of additional apartment complexes in the district resulting in additional tax revenue, management has determined there is not substantial doubt about the District's ability to continue as a going concern.

History of the District and Reporting Entity

History - The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized pursuant to Title 32 Article 1, Sections 101 et seq Colorado Revised Statutes as amended (District Act). On November 7, 2000, the qualified electors voted in favor of the District's formation, elected its initial Board of Directors, and approved the debt and limited tax questions. On May 29, 2002, the El Paso County District Court issued a Court Order and Decree ordering and approving the organization of the District. On July 1, 2002, the District's Board of Directors held its first organizational meeting.

The District is located in the City of Colorado Springs (City) and El Paso County (County) Colorado.

The District was organized primarily to finance the design, acquisition, installation and construction of water improvements, street improvements, public park and recreation/landscaping improvements and sanitary sewer improvements (Facilities) for the Lowell Neighborhood Development Project (Project).

The Project is located approximately four blocks from the center of the City's downtown area and is part of the City's South Central Downtown Urban Renewal Plan.

Reporting Entity - The District is a special district, governed, under the terms of the District Act, as defined in the Colorado State Statutes, by an elected five-member Board, with four vacancies.

For financial reporting purposes, the District is a single unit entity, with a single purpose, and includes all funds for which it is financially accountable. The District has no component units for which it is responsible for reporting or controlling. The District does not exercise any power over any other entity.

LOWELL METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements

Government-wide 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 non-fiduciary activities of the government. The statement of activities demonstrates the degree to which program revenues are sufficient to cover the direct expenses of the District.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expense is recorded when a liability is incurred regardless of the timing of the related cash flow.

Governmental Fund Financial Statements - The accounts of the District report in a single general fund. Within the general fund are self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves, and equities, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental fund financial statements use the current financial measurement focus and the modified accrual basis of accounting. Revenue recognition is contingent on the measurable and available resources reported as current assets or available for use within one year. Taxpayer assessed income and gross receipts are “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are liabilities and reductions of revenue when they are measurable, and their validity seems certain.

Expenditures, under the modified accrual basis of accounting, recognize liabilities when incurred, regardless of when they are paid. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

The more significant of the District’s accounting policies are as follows:

Basis of Accounting - Basis of accounting refers to when revenue and expenditure/expense are recognized and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

Budgets and Budgetary Accounting - The budget process begins in the fall of each year. The District’s outsourced accounting firm submits a compiled budget for the fiscal year commencing the following January 1, to the Board of Directors. The budget reports the various funds reported within the general fund. The budget includes expenditures, any actual or estimated deficits, and the means of financing them. The District solicits comments from the public relating to the proposed budget. The District obtains any taxpayer comments. Prior to December 31, the Board legally enacts the budget.

The District has authorized the outsourced accounting firm to transfer budgeted amounts between line items of the District budget; however, the Board of Directors must approve any revisions that alter the total expenditures of the District.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Colorado Revised Statutes require that all governmental funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. All appropriations lapse at the end of each fiscal year. Appropriations may increase during the fiscal year provided unanticipated revenue offsets them.

Capital Assets - Capital assets are at historical cost. Improvements complete have been transferred to the City of Colorado Springs and any future improvements will also be turned over to the City of Colorado Springs, and other non-related third parties upon completion of the project. After turnover, maintenance and operation of the assets becomes the responsibility of the third parties. Accordingly, the District will relinquish control and ownership of all capital assets and recognize no depreciation.

Employee Benefits - The District contracts a third party to perform the management functions of the District and currently has no employees.

Fund Balance Classifications - The governmental funds present fund balances on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications available are as follows:

Non-Spendable - includes amounts that are (a) not in spendable form or (b) legally or contractually required to be remaining intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.

Restricted - includes amounts that are restricted for specific purposes stipulated by external resource providers constitutionally or through enabling legislation.

Committed - includes amounts restricted for the specific purposes determined by the passage of a resolution of the District’s Board of Directors. Modifications or changes to commitments require the District’s Board of Directors approving a new resolution.

Assigned - includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the District’s Board of Directors to which the assigned amounts are to be used for specific purposes. Assigned amounts include appropriations of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s balance.

Unassigned - this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Position Classifications - The government-wide financial statements classify net position in the following categories:

Invested in Capital Assets, Net of Related Debt - this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction, or improvement of capital assets.

Restricted Net Position - this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.

Unrestricted Net Position - this classification represents the remainder of net position that do not meet the definition of “invested in capital assets, net of related debt”, or “restricted net position.”

Fair Value of Financial Instruments - The District’s financial instruments include cash and cash equivalents, tax receivable, interest payable and bonds payable. Due to the current economic conditions affecting the District, the bond value on the balance sheet reflects amortized historical value, which may not approximate the fair value. The District estimates that the fair value of all other financial instruments at December 31, 2023, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet.

Estimates - The preparation of financial statements in accordance with GAAP requires management to make 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 revenue and expense during the period. Actual results could differ from those estimates.

Reclassification – The beginning of the year fund balances were reclassified for presentation purposes.

NOTE 1 – RESTRICTED CASH AND CASH EQUIVALENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine which public depositories are eligible on an annual basis. Eligible public depositories collateralize all deposited funds in excess of federal insurance according to the PDPA. PDPA allows the depository to create a single collateral pool for all public funds in excess of the FDIC. An independent depository must hold collateral funds and they must be equal to 102% of the aggregate uninsured deposits. The District has not adopted a formal deposit and investment policies; however, the District follows State Statues regarding deposits and investments.

The government categorizes deposits to give an indication of risk assumed by the government at the end of the year. The various categories are as follows: a) Uncollateralized; b) Collateralized with securities held by the pledging institution; c) Collateralized with securities held by the pledging institution’s trust department or agent but not in the depositor-government’s name.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – RESTRICTED CASH AND CASH EQUIVALENTS - Continued

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of bank failure, the Districts’ deposits may be lost, despite the PDPA collateralized funds. As of December 31, 2023, the District’s cash holdings did not exceed the FDIC insurance. Funds held by the treasurer are collateralized under the PDPA.

As of December 31, 2023, the District’s deposits are as follows:

| | Carrying Amount | Bank Balance |
|-----------------------------------|----------------------------|-------------------------|
| Cash | | |
| Insured (FDIC Insured) | \$ 127,967 | \$ 127,967 |
| Cash Held by the Treasurer (PDPA) | 2,587 | 2,587 |
| | \$ 130,554 | \$ 130,554 |

NOTE 2 – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved the Taxpayer’s Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all 9 local governments.

Some provisions of TABOR require further judicial interpretation. The District makes no representation as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs, or to engage in any subsequent financing activities.

TABOR also requires local governments to establish emergency reserve funds. The reserve funds are emergency funds equal to at least 3% of fiscal year spending, as defined in the statutes. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. TABOR emergency reserves cannot compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. As of December 31, 2023, the District has reserved \$80,243 towards the TABOR emergency reserve requirements.

The District has assessed its compliance with TABOR and believes it is in material compliance.

NOTE 3 – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance.

NOTE 4 – LONG-TERM DEBT

On June 20, 2023, the District refinanced the Series 2004 bonds for general obligation limited tax refunding bonds (Series 2023A) and subordinated general obligation limited tax refunding bonds (Series 2023B(3)) to partially pay off the Series 2004 bond’s principal, and receive forgiveness on the remaining amount of principal and accrued interest.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – LONG-TERM DEBT - Continued

Long-term debt consists of limited tax general obligation bonds. A summary of changes in long-term debt is as follows:

| Beginning Balance | Additions | Payments | Forgiven | Ending Balance |
|----------------------|--------------|----------------|-------------|-------------------|
| \$ 7,940,000 | \$ 6,731,000 | \$ (6,353,215) | (1,646,785) | \$ 6,671,000 |

NOTE 5 – LIMITED TAX GENERAL OBLIGATION BONDS

On December 29, 2004, the District issued limited tax, general obligation bonds to provide funds for the acquisition and construction of improvement facilities located within the District and to finance other costs associated with issuing the bonds and organizing the District.

The Series 2004 Bonds (\$9,300,000 original issue) carry an interest rate of 7.25% principal and interest, payable semi-annually on June and December 1, commencing on June 1, 2005, and maturing on December 1, 2033. In 2011, the District issued the First Supplemental Trust Indenture. The bondholders of a majority of the aggregate principal amount of the bonds consented to and approved the First Supplemental Trust Indenture. The purpose of the First Supplemental Trust Indenture was to revise the mandatory sinking fund redemption schedule to reflect such redemption of the Series 2004 Bonds.

The remaining principal and past due interest from the Series 2004 Bonds were either paid off or forgiven with the issuance of the 2023 Series Bonds resulting in a gain on forgiveness of principal and interest of \$4,861,065.

In June 2023, the District issued two additional bonds, Series 2023A and Series 2023B(3), to partially pay down the accrued interest and principal of the Series 2004 bonds. The Series 2023A Bonds carry an interest rate of 4.5% with interest paid on June and December 1 while principal is paid on December 1, commencing December 1, 2023. The Series 2023B(3) bond is a cash flow bond. The payments on the series 2023B(3) bonds are unstructured and can change depending on the revenue available. Interest and principal payments are paid on December 15, commencing on December 15, 2023.

The payment schedule on the Series 2023A bonds is as follows:

| Year | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2024 | \$ 65,000 | \$ 217,800 | \$ 282,800 |
| 2025 | 90,000 | 214,875 | 304,875 |
| 2026 | 100,000 | 210,825 | 310,825 |
| 2027 | 105,000 | 206,325 | 311,325 |
| 2028 | 105,000 | 201,600 | 306,600 |
| 2029-2033 | 600,000 | 932,625 | 1,532,625 |
| 2034-2038 | 735,000 | 786,150 | 1,521,150 |
| 2039-2042 | 3,040,000 | 501,525 | 3,541,525 |
| | <u>\$ 4,840,000</u> | <u>\$ 3,271,725</u> | <u>\$ 8,111,725</u> |

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – LIMITED TAX GENERAL OBLIGATION BONDS - Continued

The Series 2023B(3) bond is a cash flow bond with unstructured payments that can change depending on the revenue available. The payment schedule on the Series 2023B(3) bonds is as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|---------------------|---------------------|
| 2024 | \$ - | \$ 62,410 | \$ 62,410 |
| 2025 | - | 72,366 | 72,366 |
| 2026 | - | 86,167 | 86,167 |
| 2027 | - | 85,031 | 85,031 |
| 2028 | - | 111,170 | 111,170 |
| 2029-2033 | - | 688,682 | 688,682 |
| 2034-2038 | - | 1,021,650 | 1,021,650 |
| 2039-2043 | - | 1,381,589 | 1,381,589 |
| 2044-2048 | 476,000 | 1,351,493 | 1,827,493 |
| 2049-2052 | 1,355,000 | 277,525 | 1,632,525 |
| | <u>\$ 1,831,000</u> | <u>\$ 5,138,083</u> | <u>\$ 6,969,083</u> |

NOTE 6 – RECONCILIATION OF BUDGET TO ACTUAL

The District prepares its budget on a basis of accounting other than generally accepted accounting principles (GAAP). A reconciliation of the budgetary basis to GAAP is provided on the schedule of revenue, expenditure, and changes in fund balance (non-GAAP basis) and actual - general fund.

NOTE 7 – CONTINGENCIES

The District constructed infrastructure assets, and as assets were completed, transferred the completed assets to the City and other non-related third parties. However, the bonds are exclusively the responsibility of the District, and do not constitute a debt or indebtedness by the City, the recipient of the assets constructed with the bond funds.

The District is also subject to compliance requirements as defined in the indentures of the three bonds. As of December 31, 2023, management was not aware of any contingent liabilities arising from compliance issues with the general obligation bonds.

**LOWELL METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – RELATED PARTIES AND POTENTIAL CONFLICT OF INTEREST

The District selected Lowell Development Partners LLC (Developer) to develop the Project.

The Developer has funded the required bond reserve of \$1,252,000. As of December 31, 2023, the bond reserve was fully drawn. The Developer has no further obligations as it relates to the general obligation bonds.

The indenture assigns rights and options to the Developer. Among the rights assigned, is the right to issue subordinate debt for repayment of the costs for the funding of the reserve requirement and for other expenses incurred by the Developer not reimbursed. Further, the Developer obtained purchase option rights to land within the development. As of December 31, 2023, the Developer has not exercised these rights.

The Developer has made cash advances to the District. These advances are currently non-interest bearing and represent annually appropriated reimbursement obligations. The District does not impute interest due to the right of the Developer to request reimbursement of the accumulated interest relating to the reserve in the future. The payment of the debt is contingent on the Developer exercising his right to reimbursement, available surplus funds, and the extinguishment of the bonds per the indenture agreement. Given the current remote possibility of this happening, the District has made no estimates as to any potential liability relating to these rights.

Developer advance activity (line of credit) for the year ended December 31, 2023 , is as follows:

| Beginning Balance | Additions | Payments | Ending Balance |
|------------------------------|------------------|-----------------|---------------------------|
| \$ 1,269,783 | \$ - | \$ - | \$ 1,269,783 |

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated events through the date of the attached independent auditors' report, the date on which the financial statements were available to be issued.

***REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)***

LOWELL METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURE, AND
CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND (UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual Budgetary Basis</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|---|-------------------------|----------------------|---------------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenue | | | | |
| Property Tax | \$ 321,374 | \$ 321,374 | \$ 321,554 | \$ 180 |
| Specific Ownership Tax | 34,000 | 34,000 | 33,662 | (338) |
| Interest Income | 7 | 7 | 50 | 43 |
| Total Revenue | <u>355,381</u> | <u>355,381</u> | <u>355,266</u> | <u>(115)</u> |
| Expenditure | | | | |
| County Treasurer's Collection Fee | 5,639 | 5,639 | 4,823 | 816 |
| Accounting and Audit | 16,750 | 16,750 | 9,933 | 6,817 |
| Insurance | 4,650 | 4,650 | 2,579 | 2,071 |
| Legal | 20,000 | 20,000 | 274,070 | (254,070) |
| Continuing Disclosure Services | 2,500 | 2,500 | - | 2,500 |
| Trustee Fees | 2,650 | 2,650 | 11 | 2,639 |
| Miscellaneous | - | - | 179,776 | (179,776) |
| Debt Service | | | | |
| Interest | 303,192 | 303,192 | 497,245 | (194,053) |
| Principal | - | - | 6,353,215 | (6,353,215) |
| Total Expenditure | <u>355,381</u> | <u>355,381</u> | <u>7,321,653</u> | <u>(6,966,272)</u> |
| Other Financing Sources | | | | |
| Bond Proceeds | - | 11,676,171 | 8,331,000 | (3,345,171) |
| Revenue Over Expenditure | <u>\$ -</u> | <u>\$ 11,676,171</u> | 1,364,613 | <u>\$ (10,311,558)</u> |
| Fund Balance | | | | |
| Beginning of the Year (Restated) | | | <u>(1,321,644)</u> | |
| End of the Year | | | <u>\$ 42,969</u> | |

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

**LOWELL METROPOLITAN DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

BUDGETARY INFORMATION

Lowell Metropolitan District (District) adheres to the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule.

The budget process begins in the fall of each year. The District's outsourced accounting firm submits a compiled budget, for the fiscal year commencing the following January 1 to the Board of Directors. The budget reports the various funds reported within the general fund. The budget includes expenditures, any actual or estimated deficits, and the means of financing them. The District solicits comments from the public relating to the proposed budget. The District obtains any taxpayer comments. Prior to December 31, the Board legally enacts the budget. The General Fund uses the cash basis of accounting in preparing the budget.

The District has authorized the outsourced accounting firm to transfer budgeted amounts between line items of the District budget; however, the Board of Directors must approve any revisions that alter the total expenditures of the District.

Colorado Revised Statutes require that all governmental funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. All appropriations lapse at the end of each fiscal year.