

Sunlight Metropolitan District

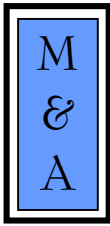
Financial Statements

December 31, 2023

**Sunlight Metropolitan District
Financial Statements
December 31, 2023**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Sunlight Metropolitan District
Steamboat Spring, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunlight Metropolitan District (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Sunlight Metropolitan District

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 U.S. 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 U.S. 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 in Section B 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Sunlight Metropolitan District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F 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 basic 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
June 3, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sunlight Metropolitan District
Management's Discussion and Analysis
December 31, 2023

As management of Sunlight Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Current year to prior year comparisons will be presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages C1 and C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District utilized two governmental funds for 2023; the General Fund, and the Debt Service Fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. The governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities on pages C3 and C5 of this report.

The District adopts an annual appropriated budget for each of its governmental funds. Budgetary comparisons for all funds have been provided on pages E1 and F1 to demonstrate compliance with this budget.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on D1 of this report.

Government-wide Financial Analysis: The following tables show condensed financial information derived from the government-wide financial statements of the District which compares 2023 to 2022:

Statement of Net Position

	2023	2022
Assets:		
Current and other assets	\$ 751,467	\$ 628,236
Capital assets, net	971,522	1,002,103
Total Assets	1,722,989	1,630,339
Liabilities:		
Current and other liabilities	9,596	16,109
Long-term liabilities	5,339,563	5,151,839
Total Liabilities	5,349,159	5,167,948
Deferred Inflows:		
Property taxes	352,274	232,136
Total Deferred Inflows	352,274	232,136
Net Position:		
Net investment in capital assets	(3,440,037)	(4,149,736)
Restricted	379,191	347,688
Unrestricted	(917,598)	32,603
Total Net Position	\$ (3,978,444)	\$ (3,769,445)

Statement of Activities

	2023	2022
General revenues:		
Property taxes	\$ 248,418	\$ 209,652
Interest income	22,196	8,538
Total revenues	\$ 270,614	\$ 218,190
Expenses:		
General government	\$ 182,839	\$ 143,942
Interest on long-term debt	296,474	296,477
Asset conveyed to others	-	-
Total expenses	\$ 479,313	\$ 440,419
Change in net position	\$ (208,699)	\$ (222,229)
Net position, beginning	(3,769,745)	(3,547,516)
Net position, ending	\$ (3,978,444)	\$ (3,769,745)

Government-wide Financial Analysis. The District’s primary responsibility is to provide snowplowing on the sidewalks and alleyways and landscape maintenance on the District’s open space and parks as well as service the Bonds issued to finance the infrastructure of the community. The District’s overall financial position, as measured by net position, decreased by \$208,699, due primarily to accrual of interest on the balances still owed to the developer. The unrestricted net position is being held to be used for future year’s operating and capital replacement expenditures.

Financial Analysis of the District’s Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, the assigned and unassigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

General Fund revenue increased in 2023 to \$126,913 compared to \$91,425 in 2022. The increase is due to an increase in the assessed valuation. General Fund expenditures were

\$144,770 in 2023 compared to \$105,971 in 2022. The increase is due to increased operational expenditures related to snow removal and landscape maintenance.

Debt Service Fund revenue was \$143,701 in 2023 and \$126,765 in 2022. The increase is due to an increase in the assessed valuation. Debt Service Fund expenditures were \$116,238 in 2023 and \$116,142 in 2022. The primary reason for the was due to a slight increase in the corresponding fees for the collection of property taxes.

Capital Fund revenues and expenditures in 2023 were \$0 and \$0 in 2022. There was no activity in 2023.

As of the end of 2023, the District's governmental funds reported an ending fund balance of \$389,597 a slight increase of \$9,606 from the prior year. Of the fund balance, \$3,124 is nonspendable, \$4,340 is restricted for emergencies, \$374,851 is restricted for debt service and the remaining \$7,282 is unassigned.

Budget variances: The General Fund ending fund balance finished the year \$8,526 ahead of the budget. A budget to actual schedule for the General Fund can be found as part of the supplementary information on page E1 of this report.

The Debt Service Fund ending fund balance finished the year \$11,163 positive to the budget due to a budgeted contingency that wasn't used. A budget to actual schedule for the Debt Fund can be found as part of the supplementary information on page F1 of this report.

The Capital Projects Fund reported no activity in 2023.

Capital Assets: During 2023 the District had a net decrease in capital assets of \$30,581 due to depreciation expense on infrastructure. For more detail on capital assets see Note B on page D9 of this report.

Long-term debt: The District's overall outstanding debt remained the same in 2023. For more detail on long-term debt see Note C on page D10 of this report.

Request for Information: This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sunlight Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Sunlight Metropolitan District
Statement of Net Position
December 31, 2023**

Assets:	
Cash and cash equivalents	395,038
Amounts due from Routt County	1,031
Property taxes receivable	352,274
Prepaid expenses	3,124
Capital assets, net	971,522
Total Assets	<u>1,722,989</u>
 Liabilities:	
Current liabilities due in less than one year:	
Accounts payable	9,596
Non-current liabilities due in excess of one year:	
Accrued interest	818,004
Developer advance	2,346,559
Bonds payable	2,175,000
Total Liabilities	<u>5,349,159</u>
 Deferred Inflow of Resources:	
Property tax revenue	352,274
Total Deferred Inflow of Resources	<u>352,274</u>
 Net Position:	
Net investment in capital assets	(3,440,037)
Restricted for debt service	374,851
Restricted for emergencies	4,340
Unrestricted	(917,598)
Total Net Position	<u><u>(3,978,444)</u></u>

The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities:					
General government	182,839	-	-	-	(182,839)
Interest	296,474	-	-	-	(296,474)
Total primary government	479,313	-	-	-	(479,313)
General revenues:					
Taxes:					
Property tax					232,136
Specific ownership tax					16,282
Other income					2,704
Interest income					19,492
Total General Revenues					270,614
Change in Net Position					
					(208,699)
Net Position - Beginning					(3,769,745)
Net Position - Ending					(3,978,444)

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Sunlight Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	20,703	374,335	395,038
Amounts due from Routt County	515	516	1,031
Property taxes receivable	223,834	128,440	352,274
Prepaid expenses	3,124	-	3,124
Total Assets	<u>248,176</u>	<u>503,291</u>	<u>751,467</u>
Liabilities, Deferred Inflow of Resources,			
Liabilities:			
Accounts payable	9,596	-	9,596
Total Liabilities	<u>9,596</u>	<u>-</u>	<u>9,596</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	223,834	128,440	352,274
Total Deferred Inflow of Resources	<u>223,834</u>	<u>128,440</u>	<u>352,274</u>
Fund Balances:			
Nonspendable	3,124	-	3,124
Restricted for debt service	-	374,851	374,851
Restricted for emergencies	4,340	-	4,340
Unassigned	7,282	-	7,282
Total Fund Balances	<u>14,746</u>	<u>374,851</u>	<u>389,597</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>248,176</u>	<u>503,291</u>	<u>751,467</u>

The accompanying notes are an integral part of these financial statements.

**Sunlight Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023**

Governmental Funds Total Fund Balance	389,597
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Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds.

Details of these amounts are as follows:

Capital assets	1,086,202	
Accumulated depreciation	<u>(114,680)</u>	
		971,522

Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Bonds payable	(2,175,000)	
Developer advance	(2,346,559)	
Accrued interest payable	<u>(818,004)</u>	
		<u>(5,339,563)</u>

Net Position of Governmental Activities	<u><u>(3,978,444)</u></u>
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**Sunlight Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	116,068	116,068	232,136
Specific ownership taxes	8,141	8,141	16,282
Interest	2,704	19,492	22,196
Total Revenues	<u>126,913</u>	<u>143,701</u>	<u>270,614</u>
Expenditures:			
General government:			
Accounting and auditing	30,168	-	30,168
Insurance	3,021	-	3,021
Legal	5,437	-	5,437
Administration - other	2,752	-	2,752
Treasurer fees	3,488	3,488	6,976
Manager	6,000	-	6,000
Utilities	9,079	-	9,079
Snow removal	32,953	-	32,953
Landscape and irrigation	51,872	-	51,872
Debt service:			
Interest	-	108,750	108,750
Paying agent fees	-	4,000	4,000
Total Expenditures	<u>144,770</u>	<u>116,238</u>	<u>261,008</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(17,857)</u>	<u>27,463</u>	<u>9,606</u>
Net Change in Fund Balances	(17,857)	27,463	9,606
Fund Balances - Beginning	<u>32,603</u>	<u>347,388</u>	<u>379,991</u>
Fund Balances - Ending	<u><u>14,746</u></u>	<u><u>374,851</u></u>	<u><u>389,597</u></u>

The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances for total governmental funds 9,606

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Depreciation expense	(30,581)	(30,581)
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The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		(187,724)
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Change in Net Position of Governmental Activities		(208,699)
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NOTES TO THE FINANCIAL STATEMENTS

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies

Sunlight Metropolitan District (the "District") was organized in 2016 and is governed by a five-member elected Board of Directors. On November 8, 2016 an Order and Decree Creating the District was approved. As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District was organized to provide various public improvements necessary and appropriate for the development of the Sunlight Steamboat project. The public improvements, which include streets, water, sewer, traffic and safety controls, parks and recreation, and other improvements are being constructed for the benefit of the taxpayers and service users within the Districts' boundaries, located within the City of Steamboat Springs, Colorado.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2023.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. Capital Assets

Capital assets, which include land; roads; and parks and recreation assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Roads and parks and recreation assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads	40
Parks and recreation	15-30

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report under this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term debt 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 obligation of the funds. Long-term debt obligations are recognized as a liability on the governmental fund financial statements when due.

7. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance (continued)

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2023 budget, prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$4,340, which is the approximate required reserve, at December 31, 2023.

On November 8, 2016, a majority of the District's electors authorized the District (1) to increase taxes annually unlimited as to rate or amount by the imposition of an ad valorem property tax levy to be in effect for the life of the debt, and (2) to collect, keep, and expend all District revenue during 2017, and continuing thereafter without regard to limitation under TABOR.

**Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

Also, on November 8, 2016, the voters of the District authorized the issuance of \$12,000,000 in debt, \$98,400,000 in contractual obligations, and approved an increase in the property tax revenue to pay such debt and obligations.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

C. Authorized Debt

At December 31, 2023, the District had authorized general obligation debt and contractual obligations for the following detailed purposes:

Street Improvements (5E)	12,000,000
Parks and Recreation (5F)	12,000,000
Water (5G)	12,000,000
Sanitation (5H)	12,000,000
Transportation (5I)	12,000,000
Mosquito Control (5J)	12,000,000
Safety Protection (5K)	12,000,000
Fire Protection (5L)	12,000,000
Television Relay and Translation (5M)	12,000,000
Security (5N)	12,000,000
Operations & Maint (5O)	12,000,000
Refunding Debt (5P)	12,000,000
IGA's As Debt (5Q)	12,000,000
Total Authorized Debt	<u>156,000,000</u>

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$9,566 at year end.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poor's Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	9,566	9,566	-
<i>Investments:</i>				
Investment pool	AAAm	385,472	385,472	-
		<u>395,038</u>	<u>395,038</u>	<u>-</u>

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2023, the District had the following recurring fair value measurements:

Investments Measured at Net Asset Value	Total
Colotrust	385,472
	385,472

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2023, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

The District had invested \$385,472 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is 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 operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	137,487	-	-	137,487
Capital assets, being depreciated:				
Parks and recreation	700,802	-	-	700,802
Street facilities	247,913	-	-	247,913
Total capital assets	1,086,202	-	-	1,086,202
Less accumulated depreciation for:				
Parks and recreation	(17,045)	(6,198)	-	(23,243)
Street facilities	(67,054)	(24,383)	-	(91,437)
Total accumulated depreciation	(84,099)	(30,581)	-	(114,680)
Net Capital Assets	1,002,103	(30,581)	-	971,522

Depreciation expense was charged to General Government.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

C. Long-Term Liabilities

1. Developer Advance

The District entered into a Facilities Acquisition Agreement dated May 10, 2017, authorizing the Developer to construct or cause the construction of certain improvements necessary for development of property within the District. As part of this agreement, it was anticipated that the District would issue bonds, the proceeds of which could be used in part to reimburse the Developer for organization expenses, the cost of improvements, and other construction costs. Outstanding balances accrue simple interest until paid, at the rate of 8% per annum.

During 2020, the Developer conveyed \$3,935,333 in capital assets to the District in accordance with this agreement.

2. Series 2020 Limited Tax General Obligation Bonds

In November 2020, the District issued limited tax general obligation bonds totaling \$2,175,000. The bonds mature at various dates through December 1, 2050 and carry an interest rate of 5%. The bond proceeds were used to pay a portion of the District's obligations to the Developer.

A Reserve Fund equal \$170,750 is required to be maintained by the Trustee in accordance with the provisions of the Indenture for so long as any bond is outstanding. At December 31, 2023, the required Reserve Fund had a balance of \$172,177.

The future debt service requirements for the bonds are as follows:

	Principal	Interest	Total
2024	-	108,750	108,750
2025	15,000	108,750	123,750
2026	25,000	108,000	133,000
2027	30,000	106,750	136,750
2028	35,000	105,250	140,250
2029 - 2033	210,000	498,250	708,250
2034 - 2038	320,000	435,250	755,250
2039 - 2043	445,000	343,500	788,500
2044 - 2048	620,000	215,500	835,500
2049 - 2050	475,000	40,250	515,250
Total	2,175,000	2,070,250	4,245,250

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

C. Long-Term Liabilities (continued)

The following is an analysis of the changes in long-term obligations of the District for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Developer note, operations	110,000	-	-	110,000	-
Developer note, capital	2,236,559	-	-	2,236,559	-
2020 General obligation Bonds	2,175,000	-	-	2,175,000	-
	<u>4,521,559</u>	<u>-</u>	<u>-</u>	<u>4,521,559</u>	<u>-</u>

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool ("Pool") for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. Any excess funds, which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Any settled claims are not expected to exceed coverage.

Sunlight Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information (continued)

A. Risk Management (continued)

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2022 (the latest available information) is as follows:

Assets	<u>69,212,177</u>
Liabilities	45,329,704
Capital and surplus	<u>23,882,473</u>
Total	<u><u>69,212,177</u></u>
Revenue	27,064,468
Underwriting expenses	<u>25,447,966</u>
Underwriting gain (loss)	1,616,502
Other income	462,530
Net income (loss)	<u><u>2,079,032</u></u>

B. Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives have disclosed that they are not aware of any material outstanding claims against the District at December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Sunlight Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance Positive (Negative)
Revenues:				
Property taxes	116,068	116,068	116,068	-
Specific ownership taxes	6,964	6,964	8,141	1,177
Interest	1,200	2,400	2,704	304
Total Revenues	<u>124,232</u>	<u>125,432</u>	<u>126,913</u>	<u>1,481</u>
Expenditures:				
General government:				
Accounting and auditing	27,550	27,550	30,168	(2,618)
Insurance	3,750	3,447	3,021	426
Legal	6,000	6,000	5,437	563
Administration - other	8,400	4,596	2,752	1,844
Treasurer fees	3,482	3,482	3,488	(6)
Manager	6,000	6,000	6,000	-
Utilities	10,000	10,000	9,079	921
Snow removal	18,000	35,840	32,953	2,887
Landscape and irrigation	31,700	54,900	51,872	3,028
Contingency	10,000	-	-	-
Total General Government Expenditures	<u>124,882</u>	<u>151,815</u>	<u>144,770</u>	<u>7,045</u>
Net Change in Fund Balance	(650)	(26,383)	(17,857)	8,526
Fund Balance - Beginning	<u>34,344</u>	<u>32,603</u>	<u>32,603</u>	-
Fund Balance - Ending	<u><u>33,694</u></u>	<u><u>6,220</u></u>	<u><u>14,746</u></u>	<u><u>8,526</u></u>

SUPPLEMENTARY INFORMATION

Sunlight Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance Positive (Negative)
Revenues:				
Property taxes	116,068	116,068	116,068	-
Specific ownership taxes	6,964	6,964	8,141	1,177
Interest	12,000	14,500	19,492	4,992
Total Revenues	<u>135,032</u>	<u>137,532</u>	<u>143,701</u>	<u>6,169</u>
Expenditures:				
General government:				
Treasurer fees	3,482	3,482	3,488	(6)
Debt service:				
Interest	108,750	108,750	108,750	-
Paying agent fees	4,000	4,000	4,000	-
Contingency	5,000	5,000	-	5,000
Total Expenditures	<u>121,232</u>	<u>121,232</u>	<u>116,238</u>	<u>4,994</u>
Net Change in Fund Balance	13,800	16,300	27,463	11,163
Fund Balance - Beginning	<u>342,561</u>	<u>347,388</u>	<u>347,388</u>	<u>-</u>
Fund Balance - Ending	<u><u>356,361</u></u>	<u><u>363,688</u></u>	<u><u>374,851</u></u>	<u><u>11,163</u></u>