

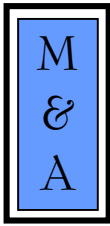
**Two Rivers Metropolitan District
Gypsum, Colorado**

**Financial Statements
December 31, 2023**

**Two Rivers Metropolitan District
Financial Report
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Two Rivers Metropolitan District
Gypsum, Colorado**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Two Rivers Metropolitan District, as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows 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 ("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 Two Rivers Metropolitan 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 Two Rivers Metropolitan District's 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 one year after the date that the financial statements are issued.

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**To the Board of Directors
Two Rivers 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 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 auditing standards generally accepted in the United States of America, 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.

**To the Board of Directors
Two Rivers Metropolitan District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Two Rivers Metropolitan District's basic financial statements. The individual fund budgetary comparison information listed in the accompanying table of contents in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in Section F are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to the basic 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 in Section F is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C." in a cursive script.

**McMahan and Associates, L.L.C.
Avon, Colorado
July 23, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Two Rivers Metropolitan District

Management's Discussion and Analysis December 31, 2023

As management of the Two Rivers 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 consist of three components: 1) government-wide financial statements, 2) fund financial statement, 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.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows and outflows, with the difference 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 (i.e. uncollected taxes.)

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and interest on long-term debt. The business-type activities of the District are water and sewer operations.

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. All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

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. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

The District adopts an annual appropriated budget for each fund as required by Colorado statutes. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds: The District maintains two proprietary funds. The District uses the Water and Sewer Fund to account for its water and sewer activities and the Infrastructure/Recreation Fund to account for infrastructure and recreational activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

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 in Section D of this report.

Government-wide Financial Analysis

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District’s net position for fiscal years 2023 and 2022.

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and other assets	\$ 1,014,797	\$ 1,961,841	\$ 2,976,638	\$ 747,499	\$ 1,829,448	\$ 2,576,947
Capital assets	1,826,145	2,560,953	4,387,098	2,011,260	2,655,075	4,666,335
Total Assets	2,840,942	4,522,794	7,363,736	2,758,759	4,484,523	7,243,282
Liabilities:						
Long-term liabilities	2,961,290	2,046,591	5,007,881	2,961,290	2,046,591	5,007,881
Other liabilities	54,854	-	54,854	60,223	-	60,223
Total Liabilities	3,016,144	2,046,591	5,062,735	3,021,513	2,046,591	5,068,104
Deferred Inflows:						
Property Taxes	174,730	-	174,730	132,120	-	132,120
Net Position:						
Net investment in capital assets	(696,855)	760,953	64,098	(511,740)	855,075	343,335
Restricted for emergencies	5,460	-	5,460	4,757	-	4,757
Restricted for future maintenanc	188,057		188,057	152,465		152,465
Unrestricted (deficit)	153,406	1,715,250	1,868,656	(40,356)	1,582,857	1,542,501
Total Net Assets (Deficit)	\$ (349,932)	\$ 2,476,203	\$ 2,126,271	\$ (394,874)	\$ 2,437,932	\$ 2,043,058

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting the cost of the services. The following detail reflects the total cost of services supported by program revenues, general property taxes and sales taxes for roads, road safety and transportation, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2023 and 2022.

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 9,260	\$ 530,051	\$ 539,311	\$ 9,031	\$ 493,513	\$ 502,544
Grants and contributions	76,291	34,484	110,775	-	92,375	92,375
General revenues:						
Property taxes	132,127	-	132,127	132,440	-	132,440
Sales taxes	182,658	-	182,658	181,167	-	181,167
Other taxes	7,570	-	7,570	7,161	-	7,161
Other income	33,041	7,201	40,242	9,928	32,612	42,540
Interest	6,663	87,704	94,367	1,536	880	2,416
Transfers	-	-	-	-	-	-
Total Revenues	447,610	659,440	1,107,050	341,263	619,380	960,643
Expenses:						
General government	402,668	-	402,668	306,277	-	\$ 306,277
Water and sewer operations	-	515,790	515,790	-	457,490	457,490
Infrastructure/ Rec operations	-	105,379	105,379	-	124,576	124,576
Total Expenses	402,668	621,169	1,023,837	306,277	582,066	888,343
Change in Net Assets	44,942	38,271	83,213	34,986	37,314	72,300
Net Assets (Deficit) - Beginning	(394,874)	2,437,932	2,043,058	(429,860)	2,400,618	1,970,758
Net Assets (Deficit) - Ending	\$ (349,932)	\$ 2,476,203	\$ 2,126,271	\$ (394,874)	\$ 2,437,932	\$ 2,043,058

The District's overall financial position, as measured by net position, increased from \$2,043,058 at the end of 2022 to \$2,126,271 at the end of 2023. This increase is primarily the result of operating surpluses that are being reserved for future infrastructure improvements.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

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 fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$787,342, an increase of \$229,797 from the prior year. This increase is primarily the result of collection of property and sales taxes that are being reserved for future replacements and capital expenditures. Of the fund balance, \$6,953 is restricted for emergencies, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers' Bill of Rights (TABOR) and \$24,452 is non-spendable as it represents amounts that have already been prepaid toward future periods' operations.

Proprietary funds: The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets for the proprietary funds was \$1,715,250 at the end of 2023. These unrestricted net assets primarily resulted from water and sewer tap fees which are being accumulated to make improvements to the District's water and wastewater systems.

Budget Variances: The District did not amend the budget during 2023. In the governmental funds the budget variances were generally favorable. In the proprietary fund the infrastructure projects and corresponding grant funding were delayed resulting in an overall favorable variance to budget. Details can be seen on pages E1 and E2 for the governmental funds and pages F1 and F2 for the proprietary funds.

Capital assets: During 2023 the District invested \$65,170 in capital assets in the business-type activities. Depreciation expense of \$185,115 was recognized in the governmental activities and \$159,292 in the business-type activities. Additional information as well as a classification of the District's capital assets can be found in Note III C to the Financial Statements.

Long-term debt: The District's long-term liabilities consist primarily of obligations payable to the developer of the District for construction of infrastructure in the District and to a lesser extent for prior years' operating advances. The District's only other long-term obligation is for accrued vacation payable for the District's employees. There were no changes in the developer obligations in 2023 and the accrued vacation payable decreased by \$260 in 2023. Additional information can be found in Note III E to the Financial Statements.

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:

Two Rivers Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632, phone (970) 926-6060 or by email to admin@mwcpaa.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Two Rivers Metropolitan District
Statement of Net Position
December 31, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments	705,169	1,856,622	2,561,791
Due from County Treasurer	553	-	553
Due from TRHOA	76,291	34,484	110,775
Accounts receivable	33,602	70,735	104,337
Property tax receivable	174,730	-	174,730
Prepaid expenses	24,452	-	24,452
Capital assets, net of accumulated depreciation	1,826,145	2,560,953	4,387,098
Total Assets	<u>2,840,942</u>	<u>4,522,794</u>	<u>7,363,736</u>
Liabilities:			
Accounts payable and accrued liabilities	52,725	-	52,725
Accrued compensated absences	2,129	-	2,129
Operating Advances from Developer:			
Due in more than one year	438,290	246,591	684,881
Infrastructure Advances from Developer:			
Due in more than one year	2,523,000	1,800,000	4,323,000
Total Liabilities	<u>3,016,144</u>	<u>2,046,591</u>	<u>5,062,735</u>
Deferred Inflows of Resources:			
Property tax revenue	174,730	-	174,730
Total Deferred Inflows of Resources	<u>174,730</u>	<u>-</u>	<u>174,730</u>
Net Position:			
Net investment in capital assets	(696,855)	760,953	64,098
Restricted for emergencies	6,953	-	6,953
Restricted for future maintenance	188,057	-	188,057
Unrestricted (deficit)	151,913	1,715,250	1,867,163
Total Net Position	<u>(349,932)</u>	<u>2,476,203</u>	<u>2,126,271</u>

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

FUND FINANCIAL STATEMENTS

**Two Rivers Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	General	Sales Tax	Total Governmental Funds
Assets:			
Cash and investments	575,046	130,123	705,169
Due from County Treasurer	553	-	553
Due from TRHOA	49,769	26,522	76,291
Accounts receivable	2,190	31,412	33,602
Property tax receivable	174,730	-	174,730
Prepaid expenses	24,452	-	24,452
Total Assets	826,740	188,057	1,014,797
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	52,725	-	52,725
Total Liabilities	52,725	-	52,725
 Deferred Inflows of Resources:			
Property tax revenue	174,730	-	174,730
Total Deferred Inflows of Resources	174,730	-	174,730
 Fund Balances:			
Non-spendable	24,452	-	24,452
Restricted for emergencies	6,953	-	6,953
Restricted for future maintenance	-	188,057	188,057
Unassigned	567,880	-	567,880
Total Fund Balances	599,285	188,057	787,342
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	826,740	188,057	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,826,145
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued vacation	(2,129)
Developer operating advances	(438,290)
Developer financed infrastructure acquisitions	(2,523,000)
Net Position of Governmental Activities	(349,932)

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

Two Rivers Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	<u>General</u>	<u>Sales Tax</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	139,697	182,658	322,355
Rent	9,260	-	9,260
Interest	28,004	6,663	34,667
Other	5,037	-	5,037
Reimbursement from TRHOA	49,769	26,522	76,291
Total Revenues	<u>231,767</u>	<u>215,843</u>	<u>447,610</u>
Expenditures:			
Administration and operations	37,562	180,251	217,813
Total Expenditures	<u>37,562</u>	<u>180,251</u>	<u>217,813</u>
Net Change in Fund Balances	194,205	35,592	229,797
Fund Balances - Beginning	<u>405,080</u>	<u>152,465</u>	<u>557,545</u>
Fund Balances - Ending	<u><u>599,285</u></u>	<u><u>188,057</u></u>	<u><u>787,342</u></u>

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

**Two Rivers 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 of Governmental Funds	229,797
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Depreciation of capital assets	(185,115)
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The issuance of long-term debt (e.g., bonds, notes, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Change in accrued vacation	260
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Change in Net Position of Governmental Activities	44,942
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Two Rivers Metropolitan District
Statement of Net Position
Proprietary Funds
December 31, 2023

	<u>Water & Sewer</u>	<u>Infrastructure & Recreation</u>	<u>Total</u>
Assets:			
Current Assets:			
Cash and investments	1,749,595	107,027	1,856,622
Due from TRHOA	-	34,484	34,484
Accounts receivable	70,735	-	70,735
Total Current Assets	<u>1,820,330</u>	<u>141,511</u>	<u>1,961,841</u>
Non-Current Assets:			
Capital assets, net of accumulated depreciation	2,390,953	-	2,390,953
Water rights	170,000	-	170,000
Total Non-Current Assets	<u>2,560,953</u>	<u>-</u>	<u>2,560,953</u>
Total Assets	<u>4,381,283</u>	<u>141,511</u>	<u>4,522,794</u>
Liabilities:			
Long-term Liabilities:			
Due to developer - operating advances	246,591	-	246,591
Due to developer - infrastructure purchased	1,800,000	-	1,800,000
Total Long-Term Liabilities	<u>2,046,591</u>	<u>-</u>	<u>2,046,591</u>
Total Liabilities	<u>2,046,591</u>	<u>-</u>	<u>2,046,591</u>
Net Position:			
Net investment in capital assets	760,953	-	760,953
Unrestricted	1,573,739	141,511	1,715,250
Total Net Position	<u>2,334,692</u>	<u>141,511</u>	<u>2,476,203</u>

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

Two Rivers Metropolitan District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	<u>Water & Sewer</u>	<u>Infrastructure & Recreation</u>	<u>Total</u>
Operating Revenues:			
Charges for fees and services	408,074	121,977	530,051
TRHOA operating payments	-	34,484	34,484
Finance charges	5,744	-	5,744
Interest	84,233	3,471	87,704
Miscellaneous income	1,457	-	1,457
Total Operating Revenues	<u>499,508</u>	<u>159,932</u>	<u>659,440</u>
Operating Expenses:			
Plant operator	72,059	-	72,059
Permits and fees	12,535	-	12,535
Meter expenses	6,883	-	6,883
Engineering	1,753	-	1,753
Community center improvements	-	13,094	13,094
Repairs and maintenance	53,754	23,489	77,243
Utilities	41,305	16,853	58,158
Sludge hauling	54,564	-	54,564
Plant operating expense	1,184	-	1,184
Community park lease	-	7,267	7,267
Cleaning	-	5,190	5,190
Miscellaneous expense	-	3,149	3,149
Allocation of overhead	109,012	36,337	145,349
Infrastructure	3,449	-	3,449
Depreciation	159,292	-	159,292
Total Operating Expenses	<u>515,790</u>	<u>105,379</u>	<u>621,169</u>
Operating Income (Loss):	<u>(16,282)</u>	<u>54,553</u>	<u>38,271</u>
Total Net Position - Beginning	<u>2,350,974</u>	<u>86,958</u>	<u>2,437,932</u>
Total Net Position - Ending	<u><u>2,334,692</u></u>	<u><u>141,511</u></u>	<u><u>2,476,203</u></u>

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

Two Rivers Metropolitan District
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Water & Sewer	Infrastructure & Recreation	Total
Cash Flows from Operating Activities:			
Cash received from customers and others	556,766	125,448	682,214
Cash payments for goods and services	(427,234)	(110,796)	(538,030)
Operating contributions from TRHOA	-	92,375	92,375
Net Cash (Used) by Operating Activities	<u>129,532</u>	<u>107,027</u>	<u>236,559</u>
Cash Flows from Capital and Related Financing Activities:			
Cash paid for capital additions	(65,170)	-	(65,170)
Net Cash Provided by Capital and Related Financing Activities	<u>(65,170)</u>	<u>-</u>	<u>(65,170)</u>
Net Change in Cash	64,362	107,027	171,389
Cash and Investments - Beginning	1,685,233	-	1,685,233
Cash and Investments - Ending	<u>1,749,595</u>	<u>107,027</u>	<u>1,856,622</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:			
Operating (loss)	(16,282)	54,553	38,271
Adjustments to reconcile operating (loss) to net cash provided by operating activities:			
Depreciation	159,292	-	159,292
(Increase) decrease in interfund balances	-	(5,417)	(5,417)
(Increase) in accounts receivable	(13,478)	57,891	44,413
Total Adjustments	<u>145,814</u>	<u>52,474</u>	<u>198,288</u>
Net Cash (Used) by Operating Activities	<u>129,532</u>	<u>107,027</u>	<u>236,559</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**Two Rivers Metropolitan District
Notes to the Financial Statements
December 31, 2023**

I. Summary of Significant Accounting Policies

The Two Rivers Metropolitan District (the "District") is a quasi-municipal corporation and a political subdivision of the State of Colorado.

The service plan, (the "Service Plan"), submitted in accordance with the Colorado Special District Act, sets forth the formation of the District, comprising approximately 175 acres located in the Dotsero area of unincorporated Eagle County, Colorado. The District was formed to assist in the funding, integration and coordination of metropolitan district services and facilities for the proposed Two Rivers Village Development (the "Community"). The Service Plan was approved August 10, 1998 by Eagle County.

The Community is located in western Eagle County, approximately 6.5 miles west of the Town of Gypsum, near the community of Dotsero and just south of Interstate Highway 70, near the confluence of the Colorado and Eagle Rivers.

The District includes approximately 175 acres. At full build out, it is anticipated that the District will contain approximately (i) 261 residential lots which will be developed for manufactured home residential housing units; (ii) 60 residential condominium units; (iii) 20 residential apartment units; (iv) 5 single family homes; and (v) 5,000 square feet of non-residential space which will be used for retail and office purposes. It is estimated that the population of the District will be approximately 1,215 persons based on three persons per residential living unit.

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 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 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 primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Two Rivers 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)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

The *Sales Tax Fund* accounts for sales tax revenue and maintenance expenditures that the sales tax revenue is restricted for.

Two Rivers 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)

The District reports the following proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the water and sewer operations.

The *Infrastructure & Recreation Fund* accounts for the activities of maintaining and improving infrastructure in the community.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Water and Sewer Fund are charges for water and sewer fees. The principal operating revenues of the District's Infrastructure / Recreation Fund are charges for infrastructure fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The trade and property taxes receivable are shown net of uncollectibles. All receivables at December 31, 2023 are considered collectible and, therefore, an allowance for uncollectible taxes and trade receivables has not been recorded.

E. Prepaid Expense

Prepaid expenses are amounts paid in the current year for expenses related to the subsequent year.

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

I. Summary of Significant Accounting Policies (continued)

F. Capital Assets

The initial capitalized assets of the governmental activities and business-type activities are recorded at historical cost. The reported values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the asset or extend its useful life beyond then original estimates.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets ranging from 20 to 30 years.

G. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financials statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

H. Deferred Outflows and Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for “deferred inflows of resources.” Deferred inflows of resources represent property taxes levied in the current period to be collected in future periods. The District reports property taxes as deferred inflows of resources in the period the property taxes are levied.

I. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable – 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.

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.

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

I. Summary of Significant Accounting Policies (continued)

I. Fund Balance (continued)

The District uses restricted amounts to be spent 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.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, as required by Colorado Statutes.

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis on the budget to actual statements and as presented below:

	Water and Sewer Fund	Infrastructure & Recreation Fund	Total
Net Change in Available Resources	77,840	54,553	132,393
Reconciliation to GAAP Basis:			
Capital outlay	65,170	-	65,170
Depreciation	(159,292)	-	(159,292)
Change in Net Position - GAAP Basis	(16,282)	54,553	38,271

As required by Colorado Statutes, the District followed this timetable in approving and enacting a budget for the ensuing year.

- (1) For the 2023 budget, prior to August 25, 2022, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2022, only once by a single notification to the District.
- (2) On or before October 15, 2022, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) 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.

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

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (4) After a required publication of “Notice of Proposed Budget” and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) 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) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.

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

Taxes levied in one year are collected in the succeeding year. Thus, 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 that 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.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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 of the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

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 or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2023, year-end fund balances for emergencies in the amount of which is the approximate required reserve at December 31, 2023.

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

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District's electorate approved that the District be authorized to collect, retain, and spend all revenues collected from the District's property tax rate of 20 mills, and from all other funds and sources, commencing January 1, 1999, and continuing thereafter, as a voter-approved revenue change, offset, and an exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

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.

III. Detailed Notes on All Funds

A. Deposits

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in coverage provided by the Federal Depository Insurance Corporation ("FDIC") must be collateralized. The eligible collateral is determined by Colorado's Public Deposit Protection Act ("PDPA"). The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District's deposits are entirely covered by Federal Depository Insurance Corporation ("FDIC") or by the collateral held under. The FDIC insures the first \$250,000 of the District's deposits at each financial institution. At December 31, 2023, the District's carrying amount of demand deposits was 62,323 at year end.

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

III. Detailed Notes on All Funds (continued)

Investments

The District's Investment Pool consists solely of investments in ColoTrust. The fair 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 had the following investments:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
ColoTrust	2,499,468

- (1) **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. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.
- (2) **Credit Risk.** State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. 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.
- (3) **Concentration of Credit Risk.** The District diversifies its investments by security type and institution.

For purposes of the cash flow statement, the District considers investments on demand (e.g. ColoTrust) and with a maturity date of three months or less to be cash equivalents.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

The District had investments 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.

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

III. Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of year-end for the government's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Sales Tax Fund	Water and Sewer Fund	Infrastructure / Recreation Fund	Total
Property taxes	174,730	-	-	-	174,730
Due from Two Rivers HOA	49,769	26,522	-	34,484	110,775
Due from other governments	-	31,412	-	-	31,412
Due from County Treasurer	553	-	-	-	553
Trade and other receivables	2,190	-	70,735	-	72,925
Total	<u>227,242</u>	<u>57,934</u>	<u>70,735</u>	<u>34,484</u>	<u>390,395</u>
Less: allowance for uncollectible accounts	-	-	-	-	-
Net Total Receivables	<u><u>227,242</u></u>	<u><u>57,934</u></u>	<u><u>70,735</u></u>	<u><u>34,484</u></u>	<u><u>390,395</u></u>

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

III. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Roads, drainage and landscaping	4,126,737	-	-	4,126,737
Parks, recreation and open space	905,579	-	-	905,579
Total capital assets being depreciated	<u>5,032,316</u>	<u>-</u>	<u>-</u>	<u>5,032,316</u>
Less: Accumulated depreciation:				
Roads, drainage and landscaping	(2,267,256)	(137,558)	-	(2,404,814)
Parks, recreation and open space	(753,800)	(47,557)	-	(801,357)
Total accumulated depreciation	<u>(3,021,056)</u>	<u>(185,115)</u>	<u>-</u>	<u>(3,206,171)</u>
Total Governmental Activities, Net	<u>2,011,260</u>	<u>(185,115)</u>	<u>-</u>	<u>1,826,145</u>
Business-type Activities:				
Capital assets not being depreciated:				
Water rights	170,000	-	-	170,000
Total capital assets not being depreciated	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Capital assets being depreciated:				
Water system	1,748,580	-	-	1,748,580
Sewer system	3,227,242	65,170	-	3,292,412
Total capital assets being depreciated	<u>4,975,822</u>	<u>65,170</u>	<u>-</u>	<u>5,040,992</u>
Less: Accumulated depreciation:				
Water system	(944,545)	(58,745)	-	(1,003,290)
Sewer system	(1,546,202)	(100,547)	-	(1,646,749)
Total accumulated depreciation	<u>(2,490,747)</u>	<u>(159,292)</u>	<u>-</u>	<u>(2,650,039)</u>
Total Business-type Activities, Net	<u>2,655,075</u>	<u>(94,122)</u>	<u>-</u>	<u>2,560,953</u>

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 30 years. The depreciation expense was charged to the primary government as follows:

Governmental Activities:	
General government	<u>185,115</u>
Business-type Activities:	
Water and Sewer	<u>159,292</u>

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

III. Detailed Notes on All Funds (continued)

D. Interfund Balances, Transfers, and Allocation of Overhead

1. Allocation of Overhead

Overhead expenses incurred in the General Fund were allocated across all funds, with half of General Fund overhead expenses allocated to Water and Sewer Fund and one sixth of General Fund overhead expenses allocated to both the Sales Tax Fund and Infrastructure / Recreation Fund in 2023. Allocations of overhead expenses in December 31, 2023 are as follows:

Overhead Allocations:	Amount
Sales Tax Fund	36,337
Water and Sewer Fund	109,012
Infrastructure / Recreation Fund	36,337
Allocated from General Fund	<u>181,686</u>

E. Long-term Debt

1. Developer Operating Advances

The Developer has advanced to the District operating advances to provide the District with operating funds. The operating advances are to be repaid when the District has available resources to repay the operating advances. There is no interest due on these advances.

2. Developer Infrastructure Acquisitions Payable

Dotsero Realty Partners, LLP (the "Initial Developer"), financed the infrastructure of the District and in the year ended December 31, 2005, transferred the ownership of the infrastructure to the District. The electorate of the District on May 4, 2004 authorized debt in the aggregate total of \$4,800,000 to finance the acquisition of the District's infrastructure.

On January 20, 2011, the District approved the assignment of the Infrastructure Acquisition Agreement from the Initial Developer to 2 Rivers Realty, L.P. (the "Current Developer").

The District has recorded as a long-term liability the purchase price of the infrastructure acquired from the Initial Developer. The District intends to pay the long-term liability from the net proceeds of limited tax general obligation bonds or tap fees if such tap fees are in excess of the District's needs. There is no interest due or accruing on the Developer infrastructure payable. It is uncertain as to when the District's assessed valuation of properties within the District will be sufficient to allow the issuance of the limited tax general obligation bonds.

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

III. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

3. Tap Fee Revenue Sharing Agreement

On January 18, 2010, the District entered into a Tap Fee Revenue Sharing Agreement (the "Agreement") with Dotsero Realty Partners, LLLP whereby the District shall remit 75% of future tap fees unless the District uses such tap fees 1) to repay any developer advances; and 2) to establish a reserve escrow up to \$416,000 for sewer improvements to the existing sewer plant and lift station, subject to adjustment as described in the Agreement. The value of the total available water capacity, at 75% of the current \$5,000 water tap fee is \$1,569,375. The value of the total available sewer capacity, at 75% of the current \$5,000 sewer tap fee is \$2,017,500.

On January 20, 2011, the District approved the assignment of the Agreement from Dotsero Realty Partners, LLLP to the 2 Rivers Realty, L.P.

4. Schedule of Long-term Liabilities

	<u>Balance at 12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/23</u>	<u>Due Within One Year</u>
Governmental Activities:					
Developer operating advances	438,290	-	-	438,290	-
Developer infrastructure payable	2,523,000	-	-	2,523,000	-
Accrued vacation payable	2,389	(260)	-	2,129	-
Total Governmental Activities	<u>2,963,679</u>	<u>(260)</u>	<u>-</u>	<u>2,963,419</u>	<u>-</u>
	<u>Balance at 12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/23</u>	<u>Due Within One Year</u>
Business-type Activities:					
Developer operating advances	246,591	-	-	246,591	-
Developer Infrastructure payable	1,800,000	-	-	1,800,000	-
Total Business-type Activities	<u>2,046,591</u>	<u>-</u>	<u>-</u>	<u>2,046,591</u>	<u>-</u>

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The District has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The District is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions.

B. Related Parties

The Developer's representatives make up the majority of the members of the Board of Directors.

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

IV. Other Information (continued)

C. Economic Dependency

The District's Board of Directors is controlled by the Developer through December 31, 2023. The Developer operating advances through December 31, 2023 totaled an aggregate amount of \$684,881, which are due to the Developer. The District has financed its acquisition of the infrastructure of the District with a loan from the Developer with a balance at December 31, 2023 of \$4,323,000.

D. Cost Sharing Agreement with Two Rivers Homeowners Association

Effective January 1, 2020, the District and Two Rivers Homeowners Owners Association ("TRHOA") entered a Cost Sharing Agreement. Under the agreement, the District will contract for services or hire an employee or employees to provide certain services and functions to the Two Rivers community as listed on Exhibit A of the agreement and that the cost of such services and functions shall be borne equally by the District and TRHOA. The agreement will renew annually until terminated by either party as set forth in the agreement.

TRHOA will reimburse TRMD for 50% of the cost of the services listed on Exhibit A of the agreement after applying a credit for the Excess Revenues as defined in the agreement, such credit to be applied over a multiple year period until a credit equal to the full amount of the Excess Revenues has been applied. The cost of the services will be invoiced periodically by TRMD but no less frequently than annually. Invoices submitted to TRHOA are due within 30 days of receipt. The total cost reimbursement from TRHOA to TRMD in 2023 was \$110,775.

E. Infrastructure and Recreation Usage Fee

The District's Board of Directors approved a resolution on April 14, 2020 to impose a monthly Infrastructure and Recreation Usage Fee of \$39 per lot, effective July 1, 2023.

The fee will be used to pay for road repairs, maintenance expenses, snow plowing, landscaping, and the design, construction, operation and maintenance of public park and recreation facilities and programs.

F. Subsequent Event

The District engaged D.A. Davidson and Kutak Rock for investment banking and bond counsel services, respectively, to issue debt in 2024 to finance or refinance certain public improvements within the District's boundaries. On March 20, 2024 the District received \$2,115,000 to be used to (1) repay the developer \$1,300,000 of the outstanding loan balances, (2) construct \$700,000 of improvements to the District wastewater treatment plant, and (3) cover the cost of issuance totaling \$115,000. The loan will be repaid over 30 years with the final payment December 1, 2053. The initial interest rate is 5.53% through December 1, 2033 and will be adjusted to market conditions after that date.

REQUIRED SUPPLEMENTARY INFORMATION

Two Rivers Metropolitan District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2023
(With Comparative Totals For the Year Ended 2022)

	<u>2023</u>		<u>2022</u>	
	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Property taxes	132,120	132,127	7	132,440
Specific ownership taxes	5,945	7,570	1,625	7,161
Interest	2,484	28,004	25,520	6,633
Other income	5,246	5,037	(209)	3,295
Community Center rentals	5,940	7,070	1,130	6,925
Reimbursement from TRHOA	-	49,769	49,769	-
Ground lease	2,190	2,190	-	2,106
Total Revenues	<u>153,925</u>	<u>231,767</u>	<u>77,842</u>	<u>158,560</u>
Expenditures:				
Accounting	77,760	78,077	(317)	66,080
Legal	7,560	12,922	(5,362)	44
Administrative	16,973	6,664	10,309	7,164
Insurance	19,118	19,913	(795)	16,624
Treasurer fee's	3,964	3,966	(2)	3,975
Wages	103,805	93,701	10,104	85,358
Payroll taxes	5,172	2,874	2,298	4,688
Elections	2,000	1,131	869	962
Allocation of overhead	(185,322)	(181,686)	(3,636)	(151,740)
Total Expenditures	<u>51,030</u>	<u>37,562</u>	<u>13,468</u>	<u>33,155</u>
Net Change in Fund Balance	102,895	194,205	91,310	125,405
Fund Balance - Beginning	<u>375,834</u>	<u>405,080</u>	<u>29,246</u>	<u>279,675</u>
Fund Balance - Ending	<u><u>478,729</u></u>	<u><u>599,285</u></u>	<u><u>120,556</u></u>	<u><u>405,080</u></u>

Two Rivers Metropolitan District
Schedule of Revenues and Expenditures
Budget and Actual - Sales Tax Fund
For the Year Ended December 31, 2023
(With Comparative Totals For the Year Ended 2022)

	2023		Final Budget Variance Positive (Negative)	2022
	Original & Final Budget	Actual		Actual
Revenues:				
Sales tax	187,200	182,658	(4,542)	181,167
Interest	648	6,663	6,015	1,536
Reimbursement from TRHOA	-	26,522	26,522	-
Total Revenues	187,848	215,843	27,995	182,703
Expenditures:				
Repairs and maintenance	154,360	131,336	23,024	67,727
Utilities	3,643	2,128	1,515	1,280
Snowplowing	21,024	10,450	10,574	16,225
Allocation of overhead	37,064	36,337	727	30,348
Contingency	20,000	-	20,000	185
Total Expenditures	236,091	180,251	55,840	115,765
Net Change in Fund Balance	(48,243)	35,592	83,835	66,938
Fund Balance - Beginning	104,333	152,465	48,132	85,527
Fund Balance - Ending	56,090	188,057	131,967	152,465

SUPPLEMENTARY INFORMATION

Two Rivers Metropolitan District
Schedule of Revenues, Expenses and Transfers
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Water and Sewer Fund
For the Year Ended December 31, 2023
(With Comparative Totals For the Year Ended 2022)

	2023		Final Budget Variance Positive (Negative)	2022
	Original & Final Budget	Actual		Actual
Operating Revenues:				
Water and sewer fees	413,690	408,074	(5,616)	377,892
Finance charges	3,500	5,744	2,244	4,738
Grants	325,000	-	(325,000)	-
Interest	54,438	84,233	29,795	27,874
Miscellaneous income	-	1,457	1,457	601
Total Operating Revenues	796,628	499,508	(297,120)	411,105
Operating Expenses:				
Operation:				
Plant operator	84,665	72,059	12,606	67,996
Permits and fees	14,061	12,535	1,526	11,934
Meter expenses	14,568	6,883	7,685	7,112
Engineering	9,288	1,753	7,535	3,849
Repairs and maintenance	46,910	53,754	(6,844)	39,298
Utilities	46,948	41,305	5,643	42,887
Sludge hauling	87,716	54,564	33,152	33,203
Plant operating expense	-	1,184	(1,184)	875
Allocation of overhead	111,193	109,012	2,181	91,044
Contingency	62,000	-	62,000	-
Total Operation Expense	477,349	353,049	124,300	298,198
Capital:				
Infrastructure	2,031,822	68,619	1,963,203	94,233
Total Capital Expense	2,031,822	68,619	1,963,203	94,233
Total Operating & Capital Expenses	2,509,171	421,668	2,087,503	392,431
Operating Income (Loss):	(1,712,543)	77,840	1,790,383	18,674
Contributions and Transfers:				
Tap fees	524,672	-	(524,672)	-
Transfers in	-	-	-	7,701
Total Contributions and Transfers	524,672	-	(524,672)	7,701
Change in net position	(1,187,871)	77,840	1,265,711	26,375
Reconciliation to GAAP Basis:				
Capital outlay		65,170		94,233
Depreciation		(159,292)		(159,292)
Change in Net Position - GAAP Basis		(16,282)		(38,684)

Two Rivers Metropolitan District
Schedule of Revenues and Expenditures
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Infrastructure & Recreation Fund
For the Year Ended December 31, 2023
(With Comparative Totals For the Year Ended 2022)

	2023		Final Budget Variance Positive (Negative)	2022
	Original & Final Budget	Actual		Actual
Operating Revenues:				
Infrastructure and recreation fees	122,148	121,977	(171)	115,621
TRHOA operating payments	80,911	34,484	(46,427)	92,375
Interest	-	3,471	3,471	279
Total Operating Revenues	203,059	159,932	(43,127)	208,275
Operating Expenses:				
Operation:				
Community center improvements	5,000	13,094	(8,094)	10,594
Repairs and maintenance	72,287	23,489	48,798	44,671
Utilities	12,973	16,853	(3,880)	14,858
Community park lease	7,267	7,267	-	6,611
Cleaning	5,184	5,190	(6)	5,070
Miscellaneous expense	8,564	3,149	5,415	3,326
Allocation of overhead	37,064	36,337	727	30,348
Contingency	25,000	-	25,000	-
Total Operation Expenses	173,339	105,379	67,960	115,478
Contributions and Transfers:				
Capital asset contribution in (out)	-	-	-	(9,098)
Transfers (out)	-	-	-	(7,701)
Total Contributions and Transfers	-	-	-	(16,799)
Change in Net Position	29,720	54,553	24,833	75,998
Adjustment to GAAP Basis:				
Capital outlay		-		-
Depreciation		-		-
Change in Net Position - GAAP Basis		54,553		75,998