

SOLITUDE METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2023

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Independent Auditor's Report

Board of Directors
Solitude Metropolitan District
Douglas County, Colorado

Opinions

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

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

Basis for Opinions

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

Responsibility of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is listed in the table of contents and does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 23, 2024

BASIC FINANCIAL STATEMENTS

SOLITUDE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - restricted	\$ 36,760
Due from county treasurer	910
Property taxes receivable	521,010
Accounts receivable - water fees	755
Prepaid expenses	455
Capital assets, net	2,407,160
Total assets	<u>2,967,050</u>
LIABILITIES	
Accounts payable	32,222
Accrued interest on long-term obligations	59,586
Noncurrent liabilities:	
Due within one year	7,778,382
Due in more than one year	1,850,000
Total liabilities	<u>9,720,190</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	521,010
Total deferred inflows of resources	<u>521,010</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	(1,361,140)
Restricted:	
Emergency reserves	2,800
Unrestricted	(5,915,810)
Total net position (deficit)	<u>\$ (7,274,150)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOLITUDE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 238,700	\$ 14,610	\$ 60,000	\$ -	\$ (164,090)
Interest and expenses on long-term debt	678,040	-	-	20,000	(658,040)
	<u>\$ 916,740</u>	<u>\$ 14,610</u>	<u>\$ 60,000</u>	<u>20,000</u>	<u>(822,130)</u>
General revenues:					
Property taxes					151,825
Specific ownership taxes					14,079
Interest					561
Total general revenues					<u>166,465</u>
Change in net position					(655,665)
Net position (deficit) - beginning of year					<u>(6,618,485)</u>
Net position (deficit) - end of year					<u>\$ (7,274,150)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**SOLITUDE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2023**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - restricted	\$ -	\$ 36,760	\$ 36,760
Due from county treasurer	91	819	910
Accounts receivable	755	-	755
Property taxes receivable	52,101	468,909	521,010
Prepaid expenditures	455	-	455
Due from other funds	-	6,072	6,072
Total assets	\$ 53,402	\$ 512,560	\$ 565,962
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 32,072	\$ 150	\$ 32,222
Due to other funds	6,072	-	6,072
Total liabilities	38,144	150	38,294
 DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	52,101	468,909	521,010
Total deferred inflows of resources	52,101	468,909	521,010
 FUND BALANCES (DEFICIT)			
Nonspendable:			
Prepaid expenditures	455	-	455
Restricted:			
Emergency reserves	2,800	-	2,800
Debt service	-	43,501	43,501
Unassigned	(40,098)	-	(40,098)
Total fund balances (deficit)	(36,843)	43,501	6,658
 TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCES (DEFICIT)			
	\$ 53,402	\$ 512,560	

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.	2,407,160
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:	
Long-term obligations	(4,770,000)
Unpaid and compounded interest on long-term obligations	(4,858,382)
Accrued interest on long-term obligations	(59,586)
Net position (deficit) of governmental activities	\$ (7,274,150)

These financial statements should be read only in connection with the accompanying notes to financial statements.

SOLITUDE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 15,183	\$ 136,642	\$ 151,825
Specific ownership taxes	1,408	12,671	14,079
Water meter fees	14,610	-	14,610
Interest	31	530	561
Water facility fees	60,000	20,000	80,000
Total revenues	<u>91,232</u>	<u>169,843</u>	<u>261,075</u>
EXPENDITURES			
<u>General</u>			
Audit	16,430	-	16,430
County treasurer fees	228	2,054	2,282
District management and accounting	43,850	-	43,850
Dues and memberships	382	-	382
Elections	275	-	275
Insurance and bonds	7,885	-	7,885
Legal	7,385	-	7,385
Miscellaneous	150	-	150
Repairs and maintenance	36,805	-	36,805
Utilities	40,250	-	40,250
<u>Debt service</u>			
Bond interest	-	157,541	157,541
Paying agent fees	-	150	150
Total expenditures	<u>153,640</u>	<u>159,745</u>	<u>313,385</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(62,408)</u>	<u>10,098</u>	<u>(52,310)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (to) from other funds	85,000	(85,000)	-
Total other financing sources (uses)	<u>85,000</u>	<u>(85,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>22,592</u>	<u>(74,902)</u>	<u>(52,310)</u>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>(59,435)</u>	<u>118,403</u>	<u>58,968</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (36,843)</u>	<u>\$ 43,501</u>	<u>\$ 6,658</u>

These financial statements should be read only in conjunction with
the accompanying notes to the financial statements.

**SOLITUDE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023**

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

Net change in fund balance - Total governmental funds	\$ (52,310)
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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 and reported as depreciation expense.

Depreciation expense	(83,006)
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on long-term liabilities	<u>(520,349)</u>
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Change in net position of governmental activities	<u><u>\$ (655,665)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

SOLITUDE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 15,182	\$ 15,182	\$ 15,183	\$ 1
Specific ownership taxes	1,063	1,408	1,408	-
Water meter fees	30,000	60,000	60,000	-
Water fees	-	14,000	14,610	610
Interest	50	35	31	(4)
Total revenues	<u>46,295</u>	<u>90,625</u>	<u>91,232</u>	<u>607</u>
EXPENDITURES				
Audit	5,500	16,500	16,430	70
County treasurer fees	228	228	228	-
Directors' fees	500	-	-	-
District management and accounting	20,000	44,000	43,850	150
Dues and memberships	1,000	400	382	18
Elections	-	300	275	25
Insurance and bonds	7,000	7,885	7,885	-
Legal	18,000	7,500	7,385	115
Miscellaneous	1,500	200	150	50
Repairs and maintenance	40,000	37,000	36,805	195
Utilities	40,000	40,500	40,250	250
Emergency reserve	4,100	-	-	-
Total expenditures	<u>137,828</u>	<u>154,513</u>	<u>153,640</u>	<u>873</u>
EXCESS OF EXPENDITURES OVER REVENUES				
	<u>(91,533)</u>	<u>(63,888)</u>	<u>(62,408)</u>	<u>1,480</u>
OTHER FINANCING SOURCES				
Developer contributions	70,000	125,000	-	(125,000)
Transfer from other funds	-	-	85,000	85,000
Total other financing sources	<u>70,000</u>	<u>125,000</u>	<u>85,000</u>	<u>(40,000)</u>
NET CHANGE IN FUND BALANCE				
	(21,533)	61,112	22,592	(38,520)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR				
	<u>26,534</u>	<u>(59,435)</u>	<u>(59,435)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR				
	<u>\$ 5,001</u>	<u>\$ 1,677</u>	<u>\$ (36,843)</u>	<u>\$ (38,520)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - DEFINITION OF REPORTING ENTITY

Solitude Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized in November 2002 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to finance, design, acquire and construct a central water system including all improvements, water rights, wells, water storage, treatment and storm drainage improvements.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other District organization nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the District is reported as net position.

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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. The major sources of revenue susceptible to accrual are property and specific ownership taxes. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. 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 general government, except those required to be accounted for in other funds.

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

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

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The District has amended the General Fund annual budget for the year ended December 31, 2023.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at historical cost or acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water & storm drainage system	30 years
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Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the county commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The county treasurer remits the taxes collected monthly to the District. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

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. The revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance - the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance - the amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - restricted	\$ 36,760
Total cash and investments	<u>\$ 36,760</u>

Cash and investments as of December 31, 2023 consist of the following:

Deposits with financial institutions	\$ 36,760
Total cash and investments	<u>\$ 36,760</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

As of December 31, 2023, the District's cash deposits had a bank and carrying balance of \$36,760.

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

The District had no investments as of December 31, 2023.

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance December 31, 2022</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Balance December 31, 2023</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 2,490,166	\$ -	\$ (2,490,166)	\$ -
Total capital assets not being depreciated	<u>2,490,166</u>	<u>-</u>	<u>(2,490,166)</u>	<u>-</u>
Capital assets, being depreciated:				
Water and storm drainage system	-	-	2,490,166	2,490,166
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>2,490,166</u>	<u>2,490,166</u>
Less accumulated depreciation for:				
Water and storm drainage system	-	(83,006)	-	(83,006)
Total accumulated depreciation	<u>-</u>	<u>(83,006)</u>	<u>-</u>	<u>(83,006)</u>
Total capital assets being depreciated, net	<u>\$ 2,490,166</u>	<u>\$ (83,006)</u>	<u>\$ -</u>	<u>\$ 2,407,160</u>

Certain capital assets owned by the District may be transferred to other governmental entities. Depreciation is recorded for District assets when such assets are placed in service.

NOTE 5 - LONG-TERM OBLIGATIONS

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

	<u>Balance December 31, 2022</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance December 31, 2023</u>	<u>Due Within One Year</u>
Senior G.O. Limited Tax Bonds, Series 2006:					
Principal	\$ 3,520,000	\$ -	\$ -	\$ 3,520,000	\$ 2,920,000
Unpaid and compounded interest	1,919,918	286,294	(63,041)	2,143,171	2,143,171
Subordinate G.O. Limited Tax Bonds, Series 2006					
Principal	1,250,000	-	-	1,250,000	-
Unpaid and compounded interest	2,421,492	293,719	-	2,715,211	2,715,211
	<u>\$ 9,111,410</u>	<u>\$ 580,013</u>	<u>\$ (63,041)</u>	<u>\$ 9,628,382</u>	<u>\$ 7,778,382</u>

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Senior General Obligation Limited Tax Bonds and Subordinate General Obligation Limited Tax Bonds, Series 2006

On June 12, 2006, the District issued Senior General Obligation Limited Tax Bonds, Series 2006 (Senior Bonds) in the principal amount of \$3,750,000 and Subordinate General Obligation Limited Tax Bonds, Series 2006 (Subordinate Bonds) in the principal amount of \$1,250,000, (collectively the 2006 Bonds). The 2006 Bonds are term bonds that were issued for the purpose of providing funds to (i) acquire water improvements and stormwater improvements, (ii) provide capitalized interest for the payment of a portion of the Senior Bonds, (iii) fund a reserve account for the Senior Bonds and (iv) pay the costs associated with the issuance of the 2006 Bonds.

The 2006 Bonds are payable from the following sources, after payment of the costs of collection: (i) property taxes derived from the limited debt service mill levy, (ii) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy, (iii) water facility fees (currently \$35,000 per lot) in excess of amounts allocated to the General Fund, (not to exceed \$50,000 per year), and (iv) any other legally available funds of the District.

The limited debt service mill levy is not to exceed 50 mills, subject to adjustments related to future changes in the method of calculating the District's assessed valuation. Interest on the 2006 Bonds is payable semiannually on June 1 and December 1 at 7.00% for the Senior Bonds and 8.00% for the Subordinate Bonds, with principal for the 2006 Bonds due each December 1. The Senior Bonds mature on December 1, 2026 and the Subordinate Bonds mature December 1, 2028. Payments of principal and interest on the Subordinate Bonds are to be made only if there are sufficient pledged revenues available after payment of principal and interest on the Senior Bonds.

Significant events of default under the 2006 Bonds include (i) failure to impose the limited mill levy or apply pledged revenue as required, (ii) payment of principal and/or interest is not made when due, (iii) failure to meet financial or bond resolution covenants and (iv) filing of a petition for bankruptcy. Immediately upon the occurrence and continuance of an event of default, the bondholders have rights or remedies including the right to file a suit for judgment, action or special proceedings. A portion of the 2006 Bonds proceeds were used to establish a required reserve account in the amount of \$180,000. As of December 31, 2023, the reserve account balance was \$0.

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The following table sets forth the estimated debt service payment schedule for the principal and interest on the 2006 Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,920,000	\$ 2,589,281	\$ 5,509,281 *
2025	415,000	142,000	557,000
2026	445,000	112,950	557,950
2027	475,000	79,200	554,200
2028	515,000	41,200	556,200
	<u>\$ 4,770,000</u>	<u>\$ 2,964,631</u>	<u>\$ 7,734,631</u>

*Includes \$2,530,000 of past due principal and \$2,419,981 of past due unpaid interest as of December 31, 2023. In addition to the estimated debt service above, as of December 31, 2023 there was compounded interest payable of \$2,438,401 on the unpaid principal and interest amounts.

Authorized Debt

As of December 31, 2023, the District had no authorized but unissued indebtedness as the service plan limited the debt authorization to \$5,000,000.

NOTE 6 – FUND EQUITY

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$455 represents prepaid expenditures for the ensuing fiscal year and therefore not in a spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$2,800 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

The restricted fund balance in the Debt Service Fund in the amount of \$43,501 is to be used exclusively for debt service requirements (see Note 5).

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 6 – FUND EQUITY (CONTINUED)

Unassigned Fund Deficit

The District anticipates that the unassigned deficit balance of \$40,098 in the General Fund will be eliminated with developer contributions or future revenues.

NOTE 7 - NET POSITION

The District’s net position consists of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets owned by the District, net of accumulated depreciation, if applicable, and reduced by the outstanding balances of bonds mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. As of December 31, 2023, the District had a net deficit invested in capital assets in the amount of \$1,361,140.

The restricted portion of the net position include amounts that are restricted either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District’s restricted net position as of December 31, 2023 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 10)	\$ 2,800
	\$ 2,800

In the government-wide financial statements, the District’s unrestricted net deficit as of December 31, 2023 totaled \$5,915,810 primarily due to capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 8 – RELATED PARTIES

The members of the board of directors of the District are employees, owners or associated with the Developer of the District and may have conflicts of interest in dealing with the District. During the year ended December 31, 2023, the Developer made no contributions to the District.

**SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 9 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members.

Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Revenues (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 5, 2002, the eligible electors of the District approved the following ballot measure:

Shall Solitude Metropolitan District's taxes be increased up to \$120,000 annually (for collection in calendar year 2003) and by such additional amounts raised annually thereafter by an ad valorem property tax mill levy imposed at a rate of five (5) mills to pay the costs of the District's operations, maintenance, landscape maintenance and other expenses; and shall the revenue from such taxes constitute permanent voter-approved revenue changes within the meaning of the article x, section 20 of the Colorado constitution and constitute an exception to the limitations set forth in section 29-1-301 of the Colorado revised statutes or any other statute or constitutional provision?

SOLITUDE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 11 – TRANSFERS

During 2023, the Debt Service Fund made transfers to the General Fund related to water facility fees collected in 2021 and 2022 in the amount of \$50,000 and \$35,000, respectively, for the purpose of paying lawful expenditures of the District, other than capital expenditures, as allowed under the 2006 Bonds resolution and as approved by the District's board of directors.

NOTE 12 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the developer to advance funds for operations.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

SOLITUDE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2023

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Property taxes	\$ 136,641	\$ 136,642	\$ 1
Specific ownership taxes	9,565	12,671	3,106
Facility fees	210,000	20,000	(190,000)
Interest	350	530	180
Total revenues	<u>356,556</u>	<u>169,843</u>	<u>(186,713)</u>
EXPENDITURES			
Bond interest	434,290	157,541	276,749
County treasurer fees	2,050	2,054	(4)
Paying agent fees	300	150	150
Total expenditures	<u>436,640</u>	<u>159,745</u>	<u>276,895</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(80,084)</u>	<u>10,098</u>	<u>90,182</u>
OTHER FINANCING USES			
Transfer to other funds	-	(85,000)	(85,000)
Total other financing uses	<u>-</u>	<u>(85,000)</u>	<u>(85,000)</u>
NET CHANGE IN FUND BALANCE	(80,084)	(74,902)	5,182
FUND BALANCE - BEGINNING OF YEAR	<u>80,524</u>	<u>118,403</u>	<u>37,879</u>
FUND BALANCE - END OF YEAR	<u>\$ 440</u>	<u>\$ 43,501</u>	<u>\$ 43,061</u>

OTHER INFORMATION

SOLITUDE METROPOLITAN DISTRICT
SCHEDULE OF ESTIMATED DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2023

\$3,750,000 Series 2006
Senior General Obligation Limited Tax Bonds
Dated June 12, 2006
Interest Rate of 7.00%
Payable on June 1 and December 1,
Principal Due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,920,000	\$ 989,281	\$ 3,909,281 *
2025	415,000	42,000	457,000
2026	185,000	12,950	197,950
	<u>\$ 3,520,000</u>	<u>\$ 1,044,231</u>	<u>\$ 4,564,231</u>

* Includes \$2,530,000 of past due principal and \$919,981 of past due interest as of December 31, 2023. In addition to the estimated debt service above, as of December 31, 2023 there was compounded interest payable of \$1,223,190 on the unpaid principal and interest amounts.

\$1,250,000 Series 2006
Subordinate General Obligation Limited Tax Bonds
Dated June 12, 2006
Interest Rate of 8.00%
Payable on June 1 and December 1,
Principal Due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 1,600,000	\$ 1,600,000 **
2025	-	100,000	100,000
2026	260,000	100,000	360,000
2027	475,000	79,200	554,200
2028	515,000	41,200	556,200
	<u>\$ 1,250,000</u>	<u>\$ 1,920,400</u>	<u>\$ 3,170,400</u>

** Includes unpaid interest of \$1,500,000 as of December 31, 2023. In addition, to the estimated debt service above, as of December 31, 2023 there was compounded interest payable of \$1,215,211 on the unpaid principal and interest amounts.

**SOLITUDE METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2023**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2014	\$ 2,990	50.000	\$ 150	\$ 149	99.33%
2015	\$ 2,990	50.000	\$ 150	\$ 161	107.33%
2016	\$ 3,230	50.000	\$ 161	\$ 162	100.62%
2017	\$ 3,230	50.000	\$ 162	\$ 162	100.00%
2018	\$ 7,090	50.000	\$ 355	\$ 355	100.00%
2019	\$ 168,350	50.000	\$ 8,418	\$ 8,418	100.00%
2020	\$ 924,380	50.000	\$ 46,219	\$ 46,219	100.00%
2021	\$ 943,770	50.000	\$ 47,189	\$ 47,189	100.00%
2022	\$ 3,077,890	50.000	\$ 153,894	\$ 153,894	100.00%
2023	\$ 3,036,470	50.000	\$ 151,823	\$ 151,825	100.00%
Estimated for the year ending December 31, 2024	\$ 10,420,190	50.000	\$ 521,010		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.