

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2024

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	21



HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Copperleaf Metropolitan District No. 1
Arapahoe County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Copperleaf Metropolitan District No. 1 (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2024, and the respective changes in financial position and the 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 Opinion

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 opinion.

Responsibilities of Management for the Financial Statements

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

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

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

August 28, 2026
Wheat Ridge, Colorado

COPPERLEAF METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
December 31, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 13,565	\$ -	\$ 13,565	\$ -	\$ 13,565
Cash and investments - restricted	7,620	-	7,620	-	7,620
Prepaid expenses	31,569	-	31,569	-	31,569
Due from other governments	21,156	3,759,665	3,780,821	-	3,780,821
Capital assets not being depreciated	-	-	-	11,278,965	11,278,965
Total Assets	<u>\$ 73,910</u>	<u>\$ 3,759,665</u>	<u>\$ 3,833,575</u>	<u>11,278,965</u>	<u>15,112,540</u>
LIABILITIES					
Accounts payable	\$ 80,531	\$ -	\$ 80,531	-	80,531
Long-term liabilities:					
Due in more than one year	-	-	-	22,562,039	22,562,039
Total Liabilities	<u>80,531</u>	<u>-</u>	<u>80,531</u>	<u>22,562,039</u>	<u>22,642,570</u>
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Prepays	31,569	-	31,569	(31,569)	-
Restricted:					
Emergencies	7,620	-	7,620	(7,620)	-
Unassigned	<u>(45,810)</u>	<u>-</u>	<u>(45,810)</u>	<u>45,810</u>	<u>-</u>
Total Fund Balances	<u>(6,621)</u>	<u>3,759,665</u>	<u>3,753,044</u>	<u>(3,753,044)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 73,910</u>	<u>\$ 3,759,665</u>	<u>\$ 3,833,575</u>		
NET POSITION					
Restricted for:					
Emergencies				7,620	7,620
Unrestricted				<u>(11,297,315)</u>	<u>(11,297,315)</u>
Total Net Position				<u>\$ (7,530,030)</u>	<u>\$ (7,530,030)</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES					
Audit	\$ 5,300	\$ -	\$ 5,300	\$ -	\$ 5,300
Accounting	43,983	-	43,983	-	43,983
Insurance	33,359	-	33,359	-	33,359
Legal	69,512	-	69,512	-	69,512
Consultants / engineering	60,487	-	60,487	-	60,487
Miscellaneous expenses	2,372	-	2,372	-	2,372
Principal repayment - developer notes	-	3,837,712	3,837,712	(3,837,712)	-
Interest expense - developer notes	-	158,276	158,276	1,085,887	1,244,163
Capital improvements	-	11,278,965	11,278,965	(11,278,965)	-
Total Expenditures	<u>215,013</u>	<u>15,274,953</u>	<u>15,489,966</u>	<u>(14,030,790)</u>	<u>1,459,176</u>
GENERAL REVENUES					
Transfer from other governments	<u>168,136</u>	<u>7,755,653</u>	<u>7,923,789</u>	<u>-</u>	<u>7,923,789</u>
Total General Revenues	<u>168,136</u>	<u>7,755,653</u>	<u>7,923,789</u>	<u>-</u>	<u>7,923,789</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(46,877)	(7,519,300)	(7,566,177)	14,030,790	6,464,613
OTHER FINANCING SOURCES (USES)					
Developer advances	<u>-</u>	<u>11,278,965</u>	<u>11,278,965</u>	<u>(11,278,965)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>11,278,965</u>	<u>11,278,965</u>	<u>(11,278,965)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(46,877)	3,759,665	3,712,788	(3,712,788)	
CHANGE IN NET POSITION				6,464,613	6,464,613
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>40,256</u>	<u>-</u>	<u>40,256</u>	<u>(14,034,899)</u>	<u>(13,994,643)</u>
END OF YEAR	<u>\$ (6,621)</u>	<u>\$ 3,759,665</u>	<u>\$ 3,753,044</u>	<u>\$ (11,283,074)</u>	<u>\$ (7,530,030)</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2024

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Transfer from other governments	\$ 199,940	\$ 168,136	\$ (31,804)
Total Revenues	<u>199,940</u>	<u>168,136</u>	<u>(31,804)</u>
EXPENDITURES			
Audit	5,300	5,300	-
Accounting	35,000	43,983	(8,983)
Insurance	35,000	33,359	1,641
Legal	75,000	69,512	5,488
Consultants / engineering	50,000	60,487	(10,487)
Miscellaneous expenses	2,500	2,372	128
Contingency	105,710	-	105,710
Emergency reserve	<u>6,084</u>	<u>-</u>	<u>6,084</u>
Total Expenditures	<u>314,594</u>	<u>215,013</u>	<u>99,581</u>
NET CHANGE IN FUND BALANCE	(114,654)	(46,877)	67,777
FUND BALANCE:			
BEGINNING OF YEAR	<u>114,654</u>	<u>40,256</u>	<u>(74,398)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ (6,621)</u>	<u>\$ (6,621)</u>

The notes to the financial statements are an integral part of these statements.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Copperleaf Metropolitan District No. 1 (the “District”), located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on February 7, 2005, as a quasi-municipal corporation and political subdivision of the State of Colorado pursuant to the Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. During most of 2015, the District was the service district for eight other districts within the development, the Copperleaf Metropolitan District Nos. 2 through No. 9 (“Districts 2-9”) and was charged with the coordination and management of services for Districts 2-9 and the provision of improvements authorized in the service plans and pursuant to several intergovernmental agreements. Upon recommendation from District No. 1, Districts 2-9 would approve improvements which benefit a particular district and provide financing, therefore. In 2015, the relationship with District No. 2 was terminated (See Note 5.) Since then, the District has been the service District for Districts 3-9. The primary sources of revenue are the transfers from the financing districts and developer advances.

The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

The District amended its total appropriations in the Capital Project Fund from \$9,069,973 to \$16,000,000 primarily due to increased capital outlay expenses.

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), 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 estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2024.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$32,569 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$7,620 of the General Fund balance has been restricted in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Deficits

The General Fund reported a deficit fund balance in the fund financial statements of \$(6,621). The District anticipates transfers from the other Districts in 2025 to eliminate the deficit.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash

As of December 31, 2024, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 13,565
Cash and investments - Restricted	<u>7,620</u>
Total	<u>\$ 21,185</u>

Cash as of December 31, 2024, consist of the following:

Deposits with financial institutions	<u>\$ 21,185</u>
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COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. 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.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2024, follows:

Governmental Type Activities:	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Construction in progress	\$ -	\$ 11,278,965	\$ -	\$ 11,278,965
Total capital assets not being depreciated	\$ -	\$ 11,278,965	\$ -	\$ 11,278,965

The District will convey all fixed assets to other local governments upon acceptance. The District will not be responsible for maintenance.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 4: Long-term Debt

Facilities Acquisition Agreement:

The District entered a Facilities Acquisition Agreement ('FAA') on October 3, 2005, with South Quincy Residential Developers, Inc. (the 'Developer'), and other entities known as the Development Group which appointed the Developer as master builder and created an obligation in the Development Group to provide funds for projects and for the District to reimburse the Developer for this construction of projects (RO Costs). On July 16, 2018, the District and the Development Group entered into an agreement terminating the FAA, acknowledging, and consenting to the 2016 Facilities Acquisition Agreement, waiving any right to reimbursement under this agreement, and acknowledging that reimbursement of Prior RO Costs shall be in accordance with the Community Improvements and Prior RO Costs Pledge Agreement.

A new Facilities Acquisition Agreement (the 'Agreement') was entered into on July 16, 2018, by the District and the Residential Owners (here, SQH Residential Investors, Inc. and South Quincy Residential Developers, Inc.). This Agreement acknowledged the Prior RO Costs of \$25,555,989 which were outstanding and payable at the termination of the FAA were reimbursable to the Residential Owners. Further, this Agreement obligates the District to reimburse Residential Owners for the amount of Prior RO Costs and any Certified Additional Residential Improvement Costs. Interest on this agreement accrues at 8% per annum.

In December 2019, the District adopted a resolution stating that the District will now record the facilities and interest will accrue commencing on the date that the costs are verified by an independent engineer and as evidenced by the date of the letter or report and not by the date the District accepts the facilities.

As of December 31, 2024, the prior RO Costs of \$25,555,989 have been reimbursed to the Residential Owners in full. The principal balance related to Additional Residential Improvement Costs outstanding at December 31, 2024, was \$19,570,969 and accrued interest was \$2,676,555.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Intergovernmental Agreement Regarding Facilities Funding and Construction (Residential Districts):

On July 16, 2018, Copperleaf Metropolitan District Nos. 1, 3, 4, & 6 entered into an agreement whereby District No. 1 acknowledged it will coordinate the construction of Additional Residential Improvements by either constructing them or acquiring them from the Residential Developer under the Facilities Acquisition Agreement dated July 16, 2018 (“Residential IGA”). The Parties acknowledged that this Residential IGA replaces and supersedes the FFCOA previously entered by the Parties. District No. 1 is designated as the Service District and shall coordinate construction and funding of public improvements with and for the benefit of other Districts within the Development. The Residential Districts that are also a party to this Residential IGA agree to, from time to time, issue debt and convey the same to District No. 1 to fund their respective costs of such improvements. Residential Revenue is pledged to pay Residential District Debt, to be collected from: (i) community SDFs; (ii) Residential Debt Service Mill Levy of 50 mills (subject to adjustment for changes in the method of calculating the assessed valuation) and any Payment in Lieu of Taxes, (“PILOT”) payments attributable to same.

District No. 1 will reimburse the Residential Owners and Commercial Owner for any Additional Residential Improvement costs not reimbursed from Pledged Residential District Bond Proceeds with Pledged Net Commercial District Revenues as provided in the Commercial District Revenues Pledge Agreement.

Each Residential District shall adopt a community SDF resolution in conjunction with execution of Residential IGA which establishes uniform Community SDFs throughout the Development. In addition, District No. 1 is to enter into an Agreement with each Owner to establish the requirement of each owner to submit an Inclusion Petition. This Residential IGA also obligates each Owner to record PILOT Covenants against its property at the time of the Inclusion Petition requirement triggers. There were no SDF fees received by the Districts in 2024.

Commercial District Revenues Pledge Agreement:

On July 16, 2018, Copperleaf Metropolitan District Nos. 1, 5, 7, 8, & 9 entered into this Commercial District Revenues Pledge Agreement (“CD Revenues Pledge Agreement”) to outline the use of the Commercial Districts’ revenue. Thereunder, District No. 1 pledged Allocated PIF Revenues to Commercial Districts for payment of CD Improvement costs, both previously incurred and those to be incurred in the future. Moreover, each Commercial District pledged certain Pledged Net CD Revenues to District No. 1 to be distributed by District No. 1 as set forth in the Community Improvements and Prior RO Costs Pledge Agreement.

This Commercial District Revenue is comprised of: (i) Community SDFs; (ii) Minimum CD Debt Service Mill Levy (currently 47.5 mills, unless District No. 1 consents to a different rate) and any PILOT payments attributable to same; and (iii) Allocated PIF Revenues, which may only be used for capital costs and not O&M expenses. There were no PIF Revenues used for capital costs in 2024.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

District No. 1 transfers, sells, assigns and pledges to each Commercial District its Allocated PIF Revenues, but may retain from gross PIF Revenue: (i) PIF Collection Costs; and (ii) the Annual District Shortfall Amount. Each Commercial District agrees to apply all Commercial District Revenues in the order of priority: (i) first, to payment of debt issued to finance Commercial District Improvements; (ii) second, to reimburse applicable Commercial Owner under any Commercial District Reimbursement Obligations; and (iii) third, annually pay Pledged Net Commercial District Revenue to District No. 1.

District No. 1 must apply Pledged Net Commercial District Revenues as set forth in the Community Improvements and Community and Prior RO Costs Pledge Agreement. Each Commercial District has the independent right to issue and structure its own Debt and Reimbursement Obligations without District No. 1's consent. Each Commercial District has an obligation to impose the Minimum Commercial District Debt Service Mill Levy in the Commercial District Mill Levy Commencement Year.

Subsequently, Copperleaf Metropolitan District Nos. 1, 5, 7, 8 and 9 entered into such First Amendment to Commercial District Revenues Pledge Agreement, dated April 15, 2025 (the "First Amendment"). Pursuant to such First Amendment, such Districts agree to remit to District No. 1 any excess proceeds of Debt to fund additional verified Eligible Capital Costs.

Administrative Services Funding Agreement (Residential):

On July 16, 2018, Copperleaf Metropolitan District Nos. 1, 3, 4, 6, South Quincy Residential Developers, Inc., (the "Residential Developer") and SQH Residential Investors, Inc. (the "Residential Investor") entered into a certain Administrative Services Funding Agreement (Residential) ("Residential ASFA") whereby District No. 1 agrees to provide Administrative Services to District Nos. 3, 4, & 6. District Nos. 3, 4, & 6 agreed to reimburse District No. 1 for advances made by the Residential Developer for these administrative services using (i) General Fund mill levy; (ii) allocated PIF revenue; or (iii) a combination thereof, after payment of annual debt service obligations. Interest on these reimbursements shall accrue at 8% per annum. In 2024, the District received \$161,536 from Districts 3, 4 and 6.

Administrative Services Funding Agreement (Commercial):

On July 16, 2018, Copperleaf Metropolitan District Nos. 1, 5, 7, 8, 9, and Copperleaf Escrow, LLC ("Escrow, LLC") entered into a certain Administrative Services Funding Agreement whereby the District No. 1 agrees to provide Administrative Services to District Nos. 5, 7, 8, & 9. District Nos. 5, 7, 8, & 9 agreed to reimburse District No. 1 for advances made to Escrow, LLC for these administrative services using (i) General Fund mill levy; (ii) allocated PIF revenue; or (iii) a combination thereof, after payment of annual debt service obligations. Interest on these reimbursements shall accrue at 8% per annum. In 2024, the District received \$6,600 from District 9.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Operation Funding Agreements:

On December 9, 2015, and with an effective date of January 1, 2016, the District and SQH Residential Investors, Inc. (“SQH”) entered into a 2016 Operation Funding Agreement (“2016 OFA”), under which SQH agreed to advance funds necessary to fund or directly pay the District’s operations and maintenance expenses for the 2016 fiscal year, up to \$93,000. Under the 2016 OFA, simple interest accrues on each advance from the date of deposit into the District’s account or from the date of direct payment by SQH, until paid, at the rate of eight percent (8%) per annum.

On November 13, 2017, the District entered into the First Amendment to the 2016 Operation Funding Agreement (“First Amendment to 2016 OFA”) with SQH. The First Amendment to 2016 OFA extended the time period under which SQH would advance funds necessary to fund or directly pay the District’s operations and maintenance expenses through the 2018 fiscal year, and increased the shortfall amount to \$450,000.

On November 19, 2018, the District entered into the Second Amendment to the 2016 Operation Funding Agreement with SQH, increasing the shortfall amount to \$550,000 and extending the term through fiscal year 2019.

As of December 31, 2024, the principal advanced under the 2016 OFA as amended was \$197,446, and the total interest accrued was \$117,069.

Below is an analysis of changes in long-term debt for the period ending December 31, 2024:

	Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Developer advances - capital	\$ 12,129,716	\$ 11,278,965	\$ 3,837,712	\$ 19,570,969
Accrued interest - capital	1,606,507	1,228,324	158,276	2,676,555
Developer advances - operations	197,446	-	-	197,446
Accrued interest - operations	101,230	15,839	-	117,069
Total	<u>\$ 14,034,899</u>	<u>\$ 12,523,128</u>	<u>\$ 3,995,988</u>	<u>\$ 22,562,039</u>

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Debt Authorization

The limit on the District's ability to issue Debt is set forth in its Service Plan as \$258,000,000 (the "Service Plan Debt Issuance Limit"). In no event is the District authorized to issue Debt in an amount that exceeds the Service Plan Debt Issuance Limit.

The District's voters have authorized the District to issue Debt in accordance with the Service Plan Debt Issuance Limit.

The amount of debt authorization remaining with the Service Plan Debt Issuance Limit is \$258,000,000.

In the future, the District may issue a portion or all of the remaining Service Plan Debt Issuance Limit for purposes of providing public improvements to support development as it occurs within the District's service area.

Note 5: Agreements with Other Governments

Amended and Restated District Administration Agreement:

On July 16, 2018, Copperleaf Metropolitan District Nos. 1 and 3 through 9 entered into that certain Amended and Restated District Administration Agreement ("Amended and Restated Administration Agreement"), which replaces and supersedes the existing District Administration Agreement dated October 3, 2005. Pursuant to the Amended and Restated Administration Agreement, District No. 1 agrees to provide Administration Services to and on behalf of the other Districts. Further, each District shall all share the administrative costs incurred by District No. 1 in providing such Administration Services. In furtherance of this, each other District will set a General Fund mill levy of not less than 10 mills and not more than 60 mills to pay its administrative costs; provided Commercial Districts, (District Nos. 5 and 7-9) can elect to use other Commercial District Revenue (defined therein) to pay their share. In the event there is a shortfall in the Districts' ability to pay their full share, District No. 1 will retain PIF revenues to make up the shortfall. The Financing Districts (District Nos. 3-9) have the option to terminate their participation in this Amended and Restated Administration Agreement.

Letter of Direction with District No. 3:

On December 5, 2017, the District, Copperleaf Metropolitan District No. 3 ("District No. 3"), South Quincy Residential Developers, Inc., SQH Residential Investors, Inc., Staack Commercial Investors, LLC, Quincy-West Commercial Investors, LLC, Quincy-East Commercial Investors, LLC and Rippey Commercial Investors, LLC entered into a Letter of Direction, under which the parties agreed that any revenue generated solely by District No. 3 from the imposition of system development fees is payable to SQH Residential Investors, Inc.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Letters of Direction with District No. 6:

On August 28, 2018, The District, Copperleaf Metropolitan District No. 6 (“District No. 6”), South Quincy Residential Developers, Inc., and SQH Residential Investors, Inc., entered into a Letter of Direction, under which the parties agreed that any revenue generated solely by District No. 6 from the imposition of system development fees is payable to SQH Residential Investors, Inc.

On September 21, 2018, the District, District No. 6, South Quincy Residential Developers, Inc., and SQH Residential Investors, Inc., entered into a Letter of Direction, under which the parties agreed that any proceeds received by the District from District Nos. 6’s Series 2018A Bonds and Series 2018B Bonds shall be payable directly to SQH Residential Investors, Inc.

PIF Revenues Remittance Agreement

On July 16, 2018, the District entered into an Agreement Regarding Remittance and Pledge of District No. 4 PIF Revenues (“PIF Revenues Remittance Agreement with District No. 1”). Pursuant to this Agreement, the District assigned all of the District No. 4’s Allocated PIF Revenue (as defined in this Agreement) to District No. 4 for the purpose of funding capital cost of improvements (including debt requirements) and Allocated Administrative Services Costs (as defined in this Agreement).

In 2019, the PIF revenues were used to repay the capital advances to the developers. Beginning in 2020, the PIF revenues are pledged to the debt service payments in District No. 4. In 2024, District No. 4 collected \$338,529 which was used for District No. 4 bond payments.

Agreement Regarding Declaration of Payment in Lieu of Taxes

On August 24, 2021, the District and District No. 9 entered into an Agreement Regarding Declaration of Payment in Lieu of Taxes (PILOT Agreement), in which the District agreed not to terminate or modify the PILOT Covenant (as defined therein), or consent to the termination or modification of the PILOT Covenant, in any manner which would materially adversely affect the PILOT Revenues (as defined therein) payable to the District as a result of its imposition of any debt service mill levy, including the Required Mill Levy (Material Amendment). The PILOT Agreement further provides that if the District receives a request from any person or entity for a Material Amendment to the PILOT Covenant or to terminate the PILOT Covenant, District No. 9 will not provide such consent unless it receives the prior written consent of the District.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Acknowledgement of Sufficient Development Completion Amounts and Authorization to Disburse Funds

On October 14, 2021, the District entered into an Acknowledgement of Sufficient Development Completion Amounts and Authorization to Disburse Funds with District No. 9, QWCI and the Developer (Acknowledgement and Authorization), in which QWCI and the Developer acknowledged receipt of the Prior CO Costs (as defined therein) and further acknowledged that the amount remaining in the District No. 9 Bonds project fund was anticipated to be sufficient to satisfy the Commercial District Reimbursement Obligations, as defined in the CD Revenues Pledge Agreement. Accordingly, the Developer, QWCI and District No. 9 authorized the District to requisition the District No. 1 Remittance to District No. 9 to reimburse Community Improvements as set forth in the CD Revenues Pledge Agreement.

Note 6: Related Party

All members of the Board of Directors of the District are either officers or employees of or have business or professional relationships with the primary developers within the District. The primary developer, South Quincy Residential Developers, Inc. is the construction manager for the development.

Note 7: Covenants

Declaration of Covenants Imposing and Implementing Payment in Lieu of Taxes:

The District and SQH Residential Investors, Inc., South Quincy Residential Developers, Inc., Quincy-East Commercial Investors, LLC, Rippey Commercial Investors, LLC, Quincy-West Commercial Investors, LLC, Staack Commercial Investors, LLC, and KB Home Colorado Inc., a (collectively, the “PILOT Property Owners”) entered into a Declaration of Covenants Imposing and Implementing Payment in Lieu of Taxes dated December 22, 2016, which was recorded in the real property records of Arapahoe County on December 23, 2016 (the “PILOT Covenants”). Under the PILOT Covenants, the PILOT Property Owners agreed that if real or personal property included within District No. 1 or one of District Nos. 3 through 9 is exempt from imposition of ad valorem taxes, such property shall instead be subject to a payment in lieu of taxes (“PILOT”) in an amount equal to what would have been derived from imposition of the applicable District’s debt service mill levy and operations and maintenance mill levy on such property if it had been taxable.

Each PILOT Property Owner agreed to impose the PILOT on property subject to the PIF Covenants, and to assign the District declarant rights with respect to imposition of the PILOT. The PILOT Covenants terminate when the District imposing the PILOT dissolves. There were no PILOT fees collected in 2024.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 8: Public Improvement Fees

Declaration of Covenants Imposing and Implementing Public Improvement Fee #1:

The District and Quincy-East Commercial Investors, LLC, Quincy-West Commercial Investors, LLC, Rippey Commercial Investors, LLC, South Quincy Residential Developers, Inc, SQH Residential Investors, Inc., Staack Commercial Investors, LLC, and Richmond American Homes of Colorado, Inc., (collectively, the “PIF #1 Property Owners”) entered into a Declaration of Covenants Imposing and Implementing Public Improvement Fee dated April 3, 2013, and recorded in the real property records of Arapahoe County on April 5, 2013, as amended by the First Amendment to Declaration of Covenants Imposing and Implementing Public Improvement Fee dated April 12, 2016, and recorded in the real property records of Arapahoe County on May 16, 2016 (“PIF Covenant #1”).

Under PIF Covenant #1, the PIF #1 Property Owners agreed to impose a public improvement fee equal to a percentage of all PIF Sales that occur on the property that is one percentage point less than the total sales tax imposed on taxable sales occurring in that portion of the City of Aurora, Colorado located within the boundaries of the County (the “PIF #1”). PIF Sales means any exchange of goods or services for money or other media of exchange initiated, consummated, conducted, transacted or otherwise occurring from or within the property subject to PIF Covenant #1 upon which a sales tax would be payable. The PIF #1 Property Owners agreed to assign the District declarant rights with respect to imposition of PIF #1.

Declaration of Covenants Imposing and Implementing Public Improvement Fee #2:

The District and SQH Residential Investors, Inc., South Quincy Residential Developers, Inc., Quincy-East Commercial Investors, LLC, Rippey Commercial Investors, LLC, Quincy-West Commercial Investors, LLC, Staack Commercial Investors, LLC, and KB Home Colorado Inc., (collectively, the “PIF #2 Property Owners”) entered into a Declaration of Covenants Imposing and Implementing Public Improvement Fee #2 dated May 13, 2016, and recorded in the real property records of Arapahoe County on May 16, 2016 (“PIF Covenant #2”). Under PIF Covenant #2, the PIF #2 Property Owners agreed to impose a public improvement fee equal to one percent (1%) of all PIF Sales that occur on the property (the “PIF #2”). PIF Sales means any exchange of goods or services for money or other media of exchange initiated, consummated, conducted, transacted or otherwise occurring from or within the property subject to PIF Covenant #2 upon which a sales tax would be payable. The PIF #2 Property Owners agreed to assign the District declarant rights with respect to imposition of PIF #2. For the property subject to PIF Covenant #2, PIF Covenant #2 is in addition to, and does not modify, terminate or amend, PIF Covenant #1. There were no PIF fees collected in 2024.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2024

Note 9: Tax, Spending and Debt Limitations

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

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 Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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.

On November 2, 2004, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 11: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

COPPERLEAF METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2024

Note 12: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as notes payable and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 3) governmental funds report developer advances as revenue.

SUPPLEMENTAL INFORMATION

COPPERLEAF METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Transfer from other governments	\$ 9,069,973	\$ 3,995,988	\$ 7,755,653	\$ 3,759,665
Total Revenues	<u>9,069,973</u>	<u>3,995,988</u>	<u>7,755,653</u>	<u>3,759,665</u>
EXPENDITURES				
Principal repayment - developer notes	-	1,731,319	3,837,712	(2,106,393)
Interest expense - developer notes	-	2,264,669	158,276	2,106,393
Capital improvements	<u>9,069,973</u>	<u>12,004,012</u>	<u>11,278,965</u>	<u>725,047</u>
Total Expenditures	<u>9,069,973</u>	<u>16,000,000</u>	<u>15,274,953</u>	<u>725,047</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(12,004,012)	(7,519,300)	4,484,712
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>-</u>	<u>12,004,012</u>	<u>11,278,965</u>	<u>(725,047)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,004,012</u>	<u>11,278,965</u>	<u>(725,047)</u>
NET CHANGE IN FUND BALANCE	-	-	3,759,665	3,759,665
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,759,665</u>	<u>\$ 3,759,665</u>

The notes to the financial statements are an integral part of these statements.