



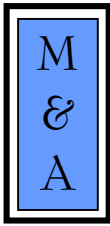
Cornerstone Metropolitan District No. 1

**Financial Statements
December 31, 2023**

**Cornerstone Metropolitan District No. 1
Financial Report
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Cornerstone Metropolitan District No. 1**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Cornerstone Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2023, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Cornerstone Metropolitan District No. 1, as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cornerstone Metropolitan District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Cornerstone Metropolitan District No. 1's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Cornerstone Metropolitan District No. 1**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Cornerstone Metropolitan District No. 1**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cornerstone Metropolitan District No. 1's basic financial statements. The individual fund budgetary comparison information listed in the accompanying table of contents in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
June 29, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cornerstone Metropolitan District No. 1

Management's Discussion and Analysis

December 31, 2023

As management of Cornerstone Metropolitan District No.1 (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

Overview of the Financial Statements

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

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District’s assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position.

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

The governmental activity of the District is the installation of the roadway, sewer, and water systems in the District, as well as the ongoing operation and maintenance of the roadway system. The business-type activities of the District include the operations and maintenance of the domestic water distribution and sewer treatment systems.

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has a General Fund, which is a governmental fund and the Water and Sewer Fund which is a proprietary fund.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds financial statements are located on pages C3-C5 of this report. The District also presents a budgetary comparison for its General fund on page E1.

Proprietary funds

The District maintains a proprietary fund commonly known as an enterprise fund. An Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for its water and sewer operations.

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

The basic proprietary fund financial statements can be found on pages C6-C8 of this report. The District also presents a budgetary comparison for its proprietary fund on page F1.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found beginning on pages D1-D15 of this report.

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Government-wide Financial Analysis

The following tables show condensed financial information derived from the government-wide financial statements comparing the current year to the prior year.

Cornerstone Metropolitan District No. 1 Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current assets	759,041	835,016	723,910	540,432	1,482,951	1,375,448
Capital and other non-current assets	729,096	741,616	7,624,347	8,046,987	8,353,443	8,788,603
Total Assets	1,488,137	1,576,632	8,348,257	8,587,419	9,836,394	10,164,051
Liabilities:						
Current liabilities	58,052	88,233	-	-	58,052	88,233
Long-term and other non-current liabilities	15,095,317	14,580,190	606,197	585,797	15,701,514	15,165,987
Total Liabilities	15,153,369	14,668,423	606,197	585,797	15,759,566	15,254,220
Net Position:						
Net Investment in capital assets	(6,104,202)	(6,052,622)	7,624,347	8,046,987	1,520,145	1,994,365
Restricted for emergencies	14,808	13,636	-	-	14,808	13,636
Unrestricted	(7,575,838)	(7,052,805)	117,713	(45,365)	(7,458,125)	(7,098,170)
Total Net Position	(13,665,232)	(13,091,791)	7,742,060	8,001,622	(5,923,172)	(5,090,169)

Cornerstone Metropolitan District No. 1 Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	5,000	21,687	535,383	538,767	540,383	560,454
Operating grants and contributions	430,660	411,225	-	-	430,660	411,225
Capital grants and contributions	-	-	-	-	-	-
General revenues:	-	-	-	-	-	-
Interest and other revenue	57,946	16,619	15,400	59,910	73,346	76,529
Total Revenues	493,606	449,531	550,783	598,677	1,044,389	1,048,208
Expenses:						
General government	79,265	85,042	-	-	79,265	85,042
Public works	283,231	252,549	-	-	283,231	252,549
Public Safety	10,564	4,666	-	-	10,564	4,666
Interest on long-term debt	558,987	560,917	20,400	20,400	579,387	581,317
Water and Sewer	-	-	924,945	1,017,640	924,945	1,017,640
Total Expenses	932,047	903,174	945,345	1,038,040	1,877,392	1,941,214
Change in Net Position Before Transfers & Sale of Assets	-	-	-	-	(833,003)	(893,006)
Transfers	(135,000)	(3,000)	135,000	3,000	-	-
Change in Net Position	(573,441)	(456,643)	(259,562)	(436,363)	(833,003)	(893,006)
Net Position - Beginning	(13,091,791)	(12,635,148)	8,001,622	8,437,985	(5,090,169)	(4,197,163)
Net Position - Ending	(13,665,232)	(13,091,791)	7,742,060	8,001,622	(5,923,172)	(5,090,169)

The District is in a dual district structure whereby the District has and will continue to construct and operate the infrastructure for the Cornerstone development. The District has entered into a District Facilities Construction and Service Agreement with Cornerstone Metropolitan District No. 2 (“District No. 2”). Under the agreement, District No. 1 is responsible for managing the construction of all facilities and improvements and for the operation and maintenance of all improvements not conveyed to another public entity. District No. 2 is responsible for providing the funding for all infrastructure improvements and the revenue needed to support the ongoing operation and maintenance of the improvements and public facilities. District No. 2 is required, to the extent financially possible, to ultimately pay off the “capital obligation” for construction costs as well as the “service obligation” for the costs of operating and maintaining the facilities. If received, the District will use the funds received from District No. 2 to pay off the District’s debt. However, based on both the current and anticipated financial condition of District No. 2, it is currently not anticipated that District No. 2 will be able to provide the funding needed for the District to be able to pay off the debts it owes to the Developer, and as such the District has recorded an allowance for doubtful accounts from District No. 2 in the full amount of the receivable of \$14,788,962.

The District’s overall financial position, as measured by net position decreased by a total of \$833,003 because of the District’s inability to meet its’ debt service obligations for Developer Advances as well as depreciation on capital assets. The District’s revenues consisted primarily of intergovernmental agreement revenues received from District No. 2, and water and sewer fees received and accrued from District constituents. The primary expenses of the District are interest accruals on the District’s debt and operating and depreciation costs related to the District’s infrastructure.

Financial Analysis of the District’s Funds

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

Governmental funds

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

As of the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$725,049 which is a decrease of \$45,494. Of this fund balance, \$30,950 is non-spendable as it was used to prepay subsequent year expenditures, \$14,808 is restricted for emergencies, \$486,000 is assigned for future road and public works costs, and \$193,291 is unassigned, meaning that is available for spending at the District’s discretion.

Proprietary funds

The District’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the District’s proprietary fund reported an ending net position of \$7,742,060 of which \$7,624,347 is shown as Net Investment in Capital Assets and \$117,713 as unrestricted.

Budget variances

The District finished the year with a positive variance in the change of fund balance for the governmental fund primarily because of less than budgeted expenditures, transfer to the Water and Sewer Fund, and not needing to use contingency funds. The change from a budgeted transfer to the Water and Sewer Fund compared to an actual transfer from the Water and Sewer Fund is the result of savings in repair and maintenance costs, and timing of capital projects. Details of the budgets can be seen on page E1 of this report for governmental funds and page F1 for the Water and Sewer Fund.

Capital assets

The District's investment in capital assets government-wide, net of accumulated depreciation decreased by \$435,159 as a result of depreciation expense exceeding capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page D10 of this report.

Long-term debts

The District's long-term debts decreased by \$40,684 due to payments on the lease purchase agreement entered into in 2019. Other than payments on the lease purchase agreement there were no decreases in debt in 2023 as there was no funding available to make any payments. Additional information can be found in the Notes to the Financial Statements beginning on page D11 of this report.

Request for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 2nd Street, Unit 213, Edwards, CO 81632 or you may call (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Cornerstone Metropolitan District No. 1
Statement of Net Position
December 31, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	709,318	662,879	1,372,197
Due from Cornerstone Metropolitan District No. 2	3,773	-	3,773
Service fees receivable, net	-	61,031	61,031
Other receivables, net	15,000	-	15,000
Prepaid expenses	30,950	-	30,950
Capital and service obligation, net	-	-	-
Capital assets, net of accumulated depreciation	729,096	7,624,347	8,353,443
Total Assets	<u>1,488,137</u>	<u>8,348,257</u>	<u>9,836,394</u>
Liabilities:			
Accounts payable and accrued expenses	18,992	-	18,992
Accrued interest payable	8,088,819	266,197	8,355,016
Non-current liabilities, due within one year			
Finance purchase	39,060	-	39,060
Non-current liabilities			
Developer advances	7,006,498	340,000	7,346,498
Total Liabilities	<u>15,153,369</u>	<u>606,197</u>	<u>15,759,566</u>
Net Position:			
Net investment in capital assets	(6,104,202)	7,624,347	1,520,145
Restricted for emergencies	14,808	-	14,808
Unrestricted	(7,575,838)	117,713	(7,458,125)
Total Net Position	<u>(13,665,232)</u>	<u>7,742,060</u>	<u>(5,923,172)</u>

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

Cornerstone Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental Activities:							
General government	79,265	-	-	-	(79,265)		(79,265)
Public safety	10,564	-	-	-	(10,564)		(10,564)
Public works	283,231	5,000	-	-	(278,231)		(278,231)
Intergovernmental agreement	-	-	430,660	-	430,660		430,660
Interest on long-term debt	558,987	-	-	-	(558,987)		(558,987)
Total Governmental Activities	<u>932,047</u>	<u>5,000</u>	<u>430,660</u>	<u>-</u>	<u>(496,387)</u>		<u>(496,387)</u>
Business-type Activities:							
Water and sewer	945,345	535,783	-	15,000		(394,562)	(394,562)
Total Business-type Activities	<u>945,345</u>	<u>535,783</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>(394,562)</u>	<u>(394,562)</u>
Total	<u><u>1,877,392</u></u>	<u><u>540,783</u></u>	<u><u>430,660</u></u>	<u><u>15,000</u></u>	<u><u>(496,387)</u></u>	<u><u>(394,562)</u></u>	<u><u>(890,949)</u></u>
General Revenues:							
Interest					57,946	-	57,946
Transfers					(135,000)	135,000	-
Total General Revenues					<u>(77,054)</u>	<u>135,000</u>	<u>57,946</u>
Change in Net Position					(573,441)	(259,562)	(833,003)
Net Position (Deficit) - Beginning					<u>(13,091,791)</u>	<u>8,001,622</u>	<u>(5,090,169)</u>
Net Position (Deficit) - Ending					<u><u>(13,665,232)</u></u>	<u><u>7,742,060</u></u>	<u><u>(5,923,172)</u></u>

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

FUND FINANCIAL STATEMENTS

**Cornerstone Metropolitan District No. 1
Balance Sheet
Governmental Funds
December 31, 2023**

	General Fund
Assets:	
Equity in pooled cash and investments	709,318
Due from Cornerstone Metropolitan District No. 2	3,773
Other receivables, net	15,000
Prepaid expenses	30,950
Total Assets	759,041
 Liabilities and Fund Balances:	
Liabilities:	
Accounts payable and accrued liabilities	18,992
Total Liabilities	18,992
 Deferred Inflows of Resources:	
Unavailable revenue	15,000
Total Deferred Inflows of Resources	15,000
 Fund Balances:	
Non-spendable	30,950
Restricted for emergencies	14,808
Assigned for capital expenditures	486,000
Unassigned	193,291
Total Fund Balances	725,049
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 759,041

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

**Cornerstone Metropolitan District No. 1
Reconciliation of the Statement of Fund Balances
to Net Position of Governmental Activities
Governmental Funds
December 31, 2023**

Net Fund Balance of Governmental Funds	725,049
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds:	
Capital assets	1,496,092
Accumulated depreciation	(766,996)
	729,096
Receivables owed to the District are not available to cover current costs:	
Capital and service obligation	14,394,328
Less: allowance for uncollectible accounts	(14,394,328)
	-
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	15,000
Long-term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. The liabilities consist of:	
Finance purchase	(39,060)
Developer advance payable	(7,006,498)
Accrued interest payable	(8,088,819)
	(15,134,377)
Net Position of Governmental Activities	(13,665,232)

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

Cornerstone Metropolitan District No. 1
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended December 31, 2023

	General Fund
Revenues:	
Intergovernmental	430,660
Other income	5,000
Interest	57,946
Total Revenues	493,606
Expenditures:	
General government	79,265
Public safety	49,870
Public works	231,405
Debt service	43,561
Total Expenditures	404,101
Excess of Revenues Over Expenditures	89,505
Other Financing Sources (Uses):	
Transfers (out)	(135,000)
Total Other Financing Sources (Uses)	(135,000)
Net Change in Fund Balances	(45,495)
Fund Balances - Beginning	770,544
Fund Balances - Ending	725,049

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

**Cornerstone Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2023**

Net Change in Fund Balances of Governmental Funds (45,495)

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

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

Depreciation of capital assets	(41,508)	
Amortization of leased assets	(38,696)	
Capital outlay	67,684	
		(12,520)

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

Repayment of principal on leases	40,684	
		40,684

The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (556,110)

Change in Net Position of Governmental Activities (573,441)

Cornerstone Metropolitan District No. 1
Statement of Net Position
Proprietary Funds
December 31, 2023

	Water and Sewer Fund
Assets:	
Current Assets:	
Equity in pooled cash and investments	662,879
Service fees receivable, net	61,031
Capital and service obligation, net	-
Total Current Assets	723,910
 Non-Current Assets:	
Capital assets, net of accumulated depreciation	7,624,347
Total Non-Current Assets	7,624,347
Total Assets	8,348,257
 Liabilities:	
Current Liabilities:	
Accrued interest	266,197
Total Current Liabilities	266,197
 Long-term Liabilities:	
Due to developer - water operations	340,000
Total Long-Term Liabilities	340,000
Total Liabilities	606,197
 Net Position:	
Net investment in capital assets	7,624,347
Unrestricted	117,713
Total Net Position	7,742,060

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

Cornerstone Metropolitan District No. 1
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Water and Sewer Fund
Operating Revenues:	
Water service fees	510,963
Sewer service fees	24,420
Miscellaneous income	400
Total Operating Revenues	535,783
Operating Expenses:	
Water operations	348,064
Sewer operations	44,049
Depreciation	532,832
Total Operating Expenses	924,945
Operating Income (Loss):	(389,162)
Contributions and Transfers:	
Tap fees	15,000
Interest	(20,400)
Transfer in	135,000
Total Contributions and Transfers	129,600
Change in Net Position	(259,562)
Total Net Position - Beginning	8,001,622
Total Net Position - Ending	7,742,060

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

Cornerstone Metropolitan District No. 1
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2023

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers and others	533,818
Cash payments for goods and services	(392,113)
Cash received for miscellaneous items	400
Net Cash (Used) by Operating Activities	142,105
Cash Flows from Non-Capital Financing Activities:	
Cash transfers from other funds	135,000
Net Cash Provided by Non-Capital Financing Activities	135,000
Cash Flows from Capital and Related Financing Activities:	
Cash paid for capital additions	(110,192)
Tap fees received	15,000
Net Cash Provided by Capital and Related Financing Activities	(95,192)
Net Change in Cash	181,913
Cash and Investments - Beginning	480,966
Cash and Investments - Ending	662,879
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:	
Operating (loss)	(389,162)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	532,832
(Increase) decrease in accounts receivable	(1,565)
Total Adjustments	531,267
Net Cash (Used) by Operating Activities	142,105

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

NOTES TO THE FINANCIAL STATEMENTS

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

Cornerstone Metropolitan District No. 1 (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized concurrently with Cornerstone Metropolitan District No. 2 ("District No. 2" and collectively the "Districts") by District Court Order on November 15, 2004, as amended December 22, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The Districts' service area is located in both Montrose County and in Ouray County. The Districts operate under a Consolidated Service Plan, as amended, to provide financing for the design, acquisition, construction and installation of essential public purpose facilities including streets, water, storm drainage, sanitary sewer, parks and recreation, transportation, television relay, mosquito control and fire protection, and the operation and maintenance of the Districts.

The District has one employee for water and sewer operations, and contracts for all of other management and professional services.

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

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

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

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

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

The District reports the following major governmental funds:

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

The District reports the following proprietary fund:

The *Water and Sewer Fund* accounts for the operation and maintenance of the community's water and sewer systems.

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

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the date acquired by the District. The District has a policy of central cash management for all funds.

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

2. Receivables and Long-term Capital and Service Obligations

Receivables are reported net of an allowance for uncollectible accounts. All service revenues become a lien on property if not paid. Allowances of \$14,394,328 and \$394,634 for governmental activities and business-type activities related to capital and service obligations is recorded at December 31, 2023. An allowance of \$8,593 and \$25,216 for uncollectible other receivables in the general fund and water and sewer service payments in the water and sewer fund are also recorded at December 31, 2023. All other accounts are considered to be collectible.

District No. 2 is obligated under the Master Intergovernmental Agreement between the Districts to provide funding for all public infrastructure improvements (capital obligation) and to provide the revenue needed to support the ongoing operation and maintenance of the improvements and public facilities (service obligation). During 2013 property values in Montrose and Ouray counties were re-assessed and lowered thus decreasing the property taxes to be collected by District No. 2 in 2014. Although violations have partially rebounded, the decrease has diminished the ability for District No. 2 to pay its bonds and in turn to pay its capital and service obligation to District No. 1.

3. Prepaid Expense

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

4. Deferred Outflows and Inflows of Resources

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

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets

Capital assets, including infrastructure assets (e.g. road, water, sewer improvements and similar items), are reported 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 fixed assets, by the straight-line method.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Building and improvements	30 years
Roads	30 years
Water infrastructure	30 years
Sewer infrastructure	30 years
Equipment and machinery	5 years

6. Accrued Liabilities and Long-term Debt

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligation of the funds. Long-term obligations are recognized as a liability on the governmental fund financial statements when due. Long-term debt and other long-term obligations are reports as liabilities in the Statement of Net Position. Issuance costs are expensed as incurred.

7. Fund Balance

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.

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

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

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

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

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

E. Use of Estimates

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

F. Subsequent Events

Management has evaluated subsequent events through the date these financial statements were available to be issued.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

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

- (1) For the 2023 budget, prior to August 25, 2022, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2022, only once by a single notification to the District.
- (2) On or before October 15, 2022, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) Prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.

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

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

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2023, year-end fund balances for emergencies in the amount of \$14,808 which is the approximate required reserve at December 31, 2023.

On November 2, 2004, the District's voters authorized the District to increase property taxes up to \$60,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. The election also allows the District to collect, spend and retain all revenues without regard to the limitations contained within Article X, Section 20 of the Colorado constitution.

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

III. Detailed Notes on All Funds

A. Deposits and Investments

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position as "Equity in pooled cash".

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on All Funds

A. Deposits and Investments (continued)

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. At December 31, 2023, the District's carrying amount of demand deposits was \$221,513 at year end. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

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

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

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

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

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	221,513	221,513	-
<i>Investments:</i>				
Investment pool	AAAm	1,150,684	1,150,684	-
		<u>1,372,197</u>	<u>1,372,197</u>	<u>-</u>

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

The District's Investment Pool consists solely of investments in ColoTrust. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2023 the District had the following investments:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
ColoTrust	1,150,684

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

The District had invested \$1,150,684 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on All Funds (continued)

B. Capital Assets

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

Governmental Activities:

Capital assets not being depreciated:

Land	11,990	-	-	11,990
Total capital assets not being depreciated	<u>11,990</u>	<u>-</u>	<u>-</u>	<u>11,990</u>

Capital assets being depreciated and amortized:

Equipment	-	-	-	-
Roads	1,222,939	67,684	-	1,290,623
Leased Equipment	193,479	-	-	193,479
Total capital assets	<u>1,416,418</u>	<u>67,684</u>	<u>-</u>	<u>1,484,102</u>

Less: Accumulated depreciation:

Roads	(570,704)	(41,508)	-	(612,212)
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Less: Accumulated amortization for leased assets:

	(116,088)	(38,696)	-	(154,784)
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Total accumulated depreciation and amortization	<u>(686,792)</u>	<u>(80,204)</u>	<u>-</u>	<u>(766,996)</u>
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Total Governmental Activities, Net 741,616 (12,520) - 729,096

Business-type Activities:

Capital assets being depreciated:

Water and Sewer	15,607,999	110,192	-	15,718,191
Equipment	40,352	-	-	40,352
Total capital assets being depreciated	<u>15,648,351</u>	<u>110,192</u>	<u>-</u>	<u>15,758,543</u>

Less: Accumulated depreciation:

Water and Sewer	(7,563,712)	(530,132)	-	(8,093,844)
Equipment	(37,652)	(2,700)	-	(40,352)

Total accumulated depreciation	<u>(7,601,364)</u>	<u>(532,832)</u>	<u>-</u>	<u>(8,134,196)</u>
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Total Business-type Activities, Net 8,046,987 (422,640) - 7,624,347

Depreciation and amortization expense charged in 2023 to the public works, and water and sewer functions of the District were \$80,204 and \$532,832, respectively.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on All Funds (continued)

C. Long-term Debt

The District had the following long-term debt outstanding during the fiscal year:

1. Developer Advances

The District entered into an Advance and Reimbursement Agreements with the Original Developer, Cornerstone Montrose, LLC, where the Original Developer was to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. Pursuant to these agreements, the Original Developer agreed to advance amounts not to exceed the aggregate of \$7,000,000 for capital improvement costs and \$500,000 for operating and maintenance costs. The Advance and Reimbursement Agreement for capital improvement costs was amended in November 2010 to \$7,800,000 and the Advance and Reimbursement Agreement for operating and maintenance costs was amended in March 2009 to \$1,000,000. The District agreed to repay the Original Developer, along with accrued interest, at a rate of 6% simple interest. The before-mentioned agreements do not constitute a multiple-fiscal year obligation. Due to the sale of the remaining property of the Original Developer, the before-mentioned agreements were not renewed for 2012 or subsequent years; however, the District continues to report the amounts owed that had previously been advanced. As of December 31, 2023 outstanding advances totaled \$552,260 for operations and \$0 for capital, plus accrued interest of \$452,875.

Pursuant to an Amended and Restated Infrastructure Acquisition Agreement, entered into on November 18, 2008 with the Original Developer, the District has agreed to purchase, using the proceeds of available funds, certain public improvements the Original Developer has provided on the District's behalf with the understanding that the District would acquire such improvements from the Original Developer at some future point in time. Advances made to the District will accrue interest at a rate of 8% until paid. This agreement does not constitute a multi-year fiscal obligation. Any infrastructure acquisitions which cannot be immediately reimbursed to the Original Developer shall be added to the balance owed to the Original Developer. However, pursuant to the Service Plan of the Districts, the Districts are limited to a total debt limit of \$30,000,000. Acquisitions which would cause the total debt of the District to exceed this cap will therefore be a contribution to the District from the Original Developer and will not be shown as a liability due to the Original Developer.

This agreement was also not renewed for 2012 or subsequent years; however, the District continues to report the amounts owed from previous acceptances from which funds were not available to reimburse the Original Developer. As of December 31, 2023, outstanding advances total \$6,794,238 and accrued interest totals \$7,901,991. Although District No. 2 does not currently, nor does it ever expect to have the ability to repay these amounts, the District is required to report the balances owed.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on All Funds (continued)

C. Long-term Debt (continued)

2. Finance purchase

In November 2019, the District entered into a lease to purchase snowplowing equipment for \$193,479. Monthly lease principal and interest payments are \$3,630 for 60 months with an interest rate of 4.85%. Future lease payments are as follows:

	Principle	Interest	Total
2024	39,060	870	39,930
	39,060	870	39,930
	39,060	870	39,930

The District had the following lease expenses for the year ended December 31, 2023:

	General Fund
Principal	40,684
Interest	2,877
	43,561
	43,561

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

	Balance at 12/31/22	Additions	Reductions	Balance at 12/31/23	Due Within One Year
Governmental Activities:					
Developer Advances:					
General fund operations	212,260	-	-	212,260	-
Capital	6,794,238	-	-	6,794,238	-
Finance purchase	79,744	-	(40,684)	39,060	39,060
Total Governmental Activities	7,086,242	-	(40,684)	7,045,558	39,060
Business-type Activities:					
Water and sewer funding	340,000	-	-	340,000	-
Total Business-type Activities	340,000	-	-	340,000	-

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on All Funds (continued)

C. Long-term Debt (continued)

3. Authorized but Unissued Indebtedness and Obligations to Issue Future Bonds

On November 2, 2004, the District electors authorized the issuance of indebtedness totaling \$787,500,000 at an interest rate not to exceed 12%. However, pursuant to the Service Plan, the District will not issue more than \$30,000,000 in indebtedness. The following schedule shows the amounts authorized and unissued as of December 31, 2023:

	Authorized November 2, 2004	Authorization Used, Series 2006	Remaining at December 31, 2023
Streets	60,000,000	-	60,000,000
Traffic & safety	60,000,000	-	60,000,000
Water	60,000,000	17,508,480	42,491,520
Sanitary sewer & storm drainage	60,000,000	3,611,520	56,388,480
Parks & recreation	60,000,000	-	60,000,000
Transportation	60,000,000	-	60,000,000
Television relay	60,000,000	-	60,000,000
Mosquito control	60,000,000	-	60,000,000
Fire & ambulance	60,000,000	-	60,000,000
Operations & maintenance	60,000,000	-	60,000,000
Intergovernmental contracts	60,000,000	-	60,000,000
Reimbursement agreements	60,000,000	-	60,000,000
Management services	7,500,000	-	7,500,000
Refunding of debt	60,000,000	-	60,000,000
	<u>787,500,000</u>	<u>21,120,000</u>	<u>766,380,000</u>

IV. Other Information

A. Risk Management

The District is 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 has elected to participate in the Colorado Special District Property and Liability Pool (the Pool), which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members. Members of the Pool are required to make additional surplus contributions. 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. During the year ended December 31, 2023 the Pool made no distributions to the District.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

IV. Other Information

A. Risk Management

Condensed financial statement data for the Colorado Special Districts Property and Liability Pool as of December 31, 2023 (latest information available) is as follows:

Assets	81,143,798
Liabilities	58,670,068
Capital and Surplus	22,473,730
Total	81,143,798
Revenue	29,593,851
Underwriting expense	31,416,477
Underwriting gain (loss)	(1,822,626)
Other Income	1,695,393
Net Income (Loss)	(127,233)

B. Related Parties

Some of the members of the Board of Directors for the District are also members of the Board of Directors for District No. 2, Board of Directors for the Cornerstone Owners Association (the "COA"), and/or affiliated with the New Developer, Cornerstone Acquisition Group, LLC.

V. Intergovernmental Agreements

A. District Facilities Construction and Service Agreement

On December 16, 2004, the Districts entered into a Districts Facilities Construction and Service Agreement (the "Master IGA"). The Master IGA provides that District No. 2 is to finance the construction, maintenance and operations of the facilities constructed and operated by the District as provided by the Consolidated Service Plan. District No. 2 is to finance such activities from their annual certification of a mill levy, specific ownership taxes and development fees. The mill levy of District No. 2 is limited by the Service Plan as amended in 2013, wherein the maximum operations mill levy was removed, and the maximum debt mill levy is not to exceed 40 mills.

Per the Service Plan if there is a change in method of calculating assessed value or if any constitutionally mandated tax credit, cut or abatement occurs, the mills may be adjusted to maintain revenue levels that are neither enhanced nor diminished by these changes.

Cornerstone Metropolitan District No. 1
Notes to the Financial Statements
December 31, 2023
(continued)

V. Intergovernmental Agreements (continued)

B. District Water Agreements

Pursuant to an Agreement for Construction of Water Delivery Infrastructure dated December 16, 2004 between the Original Developer and the Tri- County Water Conservancy District, the Original Developer is to design, install and warranty the water delivery infrastructure necessary to serve the Development, together with necessary system enhancements in accordance with the terms of the agreement. The Original Developer has assigned all of its interest in the Agreements for Construction of Water Delivery Infrastructure to the District pursuant to an Assignment Agreement dated February 21, 2006 and its addendum dated April 18, 2006, between the Original Developer and the District (as amended, the "Assignment Agreement"). Additionally, pursuant to a Potable Water Service Agreement dated August 18, 2004, as amended, between the Original Developer and the Tri- County Water Conservancy District, the Original Developer is responsible for the purchase and delivery of potable water to the Development. The Original Developer has assigned all of its interests in and to the Potable Water Service Agreement to the District pursuant to the Assignment Agreement.

C. Dave Wood Road Agreement

On July 10, 2008 the District entered into an agreement with Ouray County for additional access to the subdivision through Dave Wood Road. The agreement provides a mechanism for joint funding of maintenance costs related to Dave Wood Road whereby the District shall make an annual contribution to Ouray County of 10% of the budgeted amount established by the DWR Maintenance Plan and Budget for the upcoming year. During 2023, \$0 was paid by the District pursuant to the agreement.

D. Government Springs Road Maintenance Agreement

On May 1, 2006 the District entered into an agreement with Ouray County and the Original Developer which provides a mechanism for joint funding of maintenance costs related to Government Springs Road. Government Springs Road is the primary access to the subdivision and per the agreement, the District shall make an annual contribution to Ouray County of 80% of the budgeted amount established by the GSR Maintenance Plan and Budget for the upcoming year. During 2023, \$0 was paid by the District pursuant to the agreement.

E. Montrose Fire Protection District Agreement

On June 23, 2009, the District entered into an agreement with Montrose Fire Protection District to provide joint support in the event of an emergency at the Cornerstone subdivision. Per the agreement, the Fire District agrees to provide, when available, fire protection and emergency medical services within the subdivision. The District will supplement the Fire District's efforts using a reserve of volunteers and equipment supplied by Horsefly Volunteer Fire District, which the District is a member of, and all costs associated with a response by the Fire District to an event at Cornerstone shall reimbursed to the Fire District by Cornerstone.

The District may then seek reimbursement from the owner of the property involved in the incident. In the event of a medical response, the Fire District shall assess any related fees directly to the patient receiving the emergency medical services. During 2023, \$0 was paid by the District pursuant to the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

Cornerstone Metropolitan District No. 1
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Intergovernmental	432,625	430,660	(1,965)
Other income	10,000	5,000	(5,000)
Interest	34,000	57,946	23,946
Total Revenues	476,625	493,606	16,981
Expenditures:			
General government:			
Accounting	91,500	68,142	23,358
Legal	45,000	19,415	25,585
Insurance	22,800	21,121	1,679
Other general expenses	22,850	16,906	5,944
Facilities	7,194	7,057	137
Contingencies	40,000	-	40,000
Allocated overhead	(85,667)	(53,376)	(32,291)
Public safety:			
Fire and emergency medical	4,000	2,000	2,000
Welcome center	3,000	47,870	(44,870)
Public works:			
Contracted services	35,000	71,842	(36,842)
Road repair and maintenance	148,649	159,563	(10,914)
Debt service:			
Principal	40,684	40,684	-
Interest	2,877	2,877	-
Total Expenditures	377,887	404,101	(26,214)
Excess (Deficiency) of Revenues Over Expenditures	98,738	89,505	(9,233)
Other Financing Sources (Uses):			
Transfers (out)	(172,000)	(135,000)	37,000
Total Other Financing Sources (Uses)	(172,000)	(135,000)	37,000
Net Change in Fund Balance	(73,262)	(45,495)	27,767
Fund Balance - Beginning	623,560	770,544	146,984
Fund Balance - Ending	550,298	725,049	174,751

SUPPLEMENTARY INFORMATION

Cornerstone Metropolitan District No. 1
Schedule of Revenues, Expenses and Transfers
Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis
Water and Sewer Fund
For the Year Ended December 31, 2023

	Original & Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Water service fees	578,063	510,963	(67,100)
Sewer service fees	26,280	24,420	(1,860)
Tap fees	30,000	15,000	(15,000)
Miscellaneous income	-	400	400
Total Revenues	634,343	550,783	(83,560)
Expenses:			
Water operations:			
Water purchases and pumping	511,373	301,811	209,562
Payroll	84,995	83,167	1,828
Professional services	11,270	1,506	9,764
Repairs and maintenance	45,000	41,175	3,825
Other expense	4,000	2,046	1,954
Allocated overhead from general fund	39,538	24,635	14,903
Capital outlay	8,000	3,916	4,084
Contingency	20,000	-	20,000
Sewer operations:			
Contracted services	14,310	-	14,310
Repairs and maintenance	9,200	8,114	1,086
Allocated overhead from water operations	28,332	27,723	609
Allocated overhead from general fund	13,179	8,212	4,967
Contingency	2,500	-	2,500
Total Expense	791,697	502,305	289,392
Change in net position budgetary basis	(157,354)	48,478	205,832
Income (loss) before Contributions and Transfers	(157,354)	48,478	205,832
Contributions and Transfers:			
Transfers in	172,000	135,000	(37,000)
Total Contributions and Transfers	172,000	135,000	(37,000)
Change in net position	14,646	183,478	168,832
Reconciliation to GAAP Basis:			
Capital outlay		110,192	
Change in accrued interest		(20,400)	
Depreciation		(532,832)	
Change in Net Position - GAAP Basis		(259,562)	