

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Financial Statements

Year Ended December 31, 2019

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Anthology West Metropolitan District No. 5
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Anthology West Metropolitan District No. 5 (the "District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Anthology West Metropolitan District No. 5 as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP
Lakewood, Colorado

September 25, 2020

Anthology West Metropolitan District No. 5

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ -	\$ 869,240	\$ 4,094,008	\$ 4,963,248	\$ -	\$ 4,963,248
Receivable - County Treasurer	1	-	-	1	-	1
Property taxes receivable	-	49	-	49	-	49
	<u>1</u>	<u>869,289</u>	<u>4,094,008</u>	<u>4,963,298</u>	<u>-</u>	<u>4,963,298</u>
Total Assets						
LIABILITIES						
Payable to District No. 6	\$ 1	\$ -	\$ -	\$ 1	-	1
Accrued interest on bonds	-	-	-	-	28,559	28,559
Long-term liabilities:						
Due in more than one year	-	-	-	-	5,328,000	5,328,000
	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>5,356,559</u>	<u>5,356,560</u>
Total Liabilities						
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	-	49	-	49	-	49
	<u>-</u>	<u>49</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>49</u>
Total Deferred Inflows of Resources						
FUND BALANCES						
Fund Balances:						
Restricted:						
Emergencies	3	-	-	3	(3)	-
Debt service	-	869,240	-	869,240	(869,240)	-
Capital projects	-	-	4,094,008	4,094,008	(4,094,008)	-
Unassigned	(3)	-	-	(3)	3	-
	<u>-</u>	<u>869,240</u>	<u>4,094,008</u>	<u>4,963,248</u>	<u>(4,963,248)</u>	<u>-</u>
Total Fund Balances						
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1</u>	<u>\$ 869,289</u>	<u>\$ 4,094,008</u>	<u>\$ 4,963,298</u>		
Net Position:						
Net investment in capital assets					(5,328,000)	(5,328,000)
Restricted for:						
Emergencies					3	3
Debt service					840,681	840,681
Capital projects					4,094,008	4,094,008
Unrestricted					(3)	(3)
					<u>(3)</u>	<u>(3)</u>
Total Net Position					<u>\$ (393,311)</u>	<u>\$ (393,311)</u>

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

Anthology West Metropolitan District No. 5

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

For the Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Transfer to District No. 6	\$ 89	\$ -	\$ -	\$ 89	\$ -	\$ 89
Treasurer's fees	1	-	-	1	-	1
Bond interest expense	-	22,571	-	22,571	28,559	51,130
Bond issuance costs	-	-	358,433	358,433	-	358,433
Total Expenditures	<u>90</u>	<u>22,571</u>	<u>358,433</u>	<u>381,094</u>	<u>28,559</u>	<u>409,653</u>
GENERAL REVENUES						
Property taxes	80	-	-	80	-	80
Specific ownership taxes	7	-	-	7	-	7
Interest income	3	2,880	13,372	16,255	-	16,255
Total General Revenues	<u>90</u>	<u>2,880</u>	<u>13,372</u>	<u>16,342</u>	<u>-</u>	<u>16,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	-	(19,691)	(345,061)	(364,752)	(28,559)	(393,311)
OTHER FINANCING SOURCES (USES)						
Bond proceeds - Series 2019A	-	-	4,630,000	4,630,000	(4,630,000)	-
Bond proceeds - Series 2019B	-	-	698,000	698,000	(698,000)	-
Transfers in	-	888,931	-	888,931	(888,931)	-
Transfers out	-	-	(888,931)	(888,931)	888,931	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>888,931</u>	<u>4,439,069</u>	<u>5,328,000</u>	<u>(5,328,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	-	869,240	4,094,008	4,963,248	(4,963,248)	
CHANGE IN NET POSITION						
					(393,311)	(393,311)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	-	-	-	-	-	-
END OF YEAR	<u>\$ -</u>	<u>\$ 869,240</u>	<u>\$ 4,094,008</u>	<u>\$ 4,963,248</u>	<u>#####</u>	<u>\$ (393,311)</u>

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

Anthology West Metropolitan District No. 5

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

For the Year Ended December 31, 2019

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 80	\$ 80	\$ -
Specific ownership taxes	5	7	2
Interest income	-	3	3
Total Revenues	85	90	5
EXPENDITURES			
Transfer to District No. 6	84	89	(5)
Treasurer's fees	1	1	-
Total Expenditures	85	90	(5)
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	\$ -	\$ -	\$ -

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

Anthology West Metropolitan District No. 5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 2,880	\$ 2,880
Total Revenues	<u>-</u>	<u>-</u>	<u>2,880</u>	<u>2,880</u>
EXPENDITURES				
Bond interest expense	-	22,571	22,571	-
Paying agent fees	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenditures	<u>-</u>	<u>25,571</u>	<u>22,571</u>	<u>3,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(25,571)	(19,691)	5,880
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>888,930</u>	<u>888,931</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>888,930</u>	<u>888,931</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	-	863,359	869,240	5,881
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 863,359</u>	<u>\$ 869,240</u>	<u>\$ 5,881</u>

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

Anthology West Metropolitan District No. 5

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 13,372	\$ 13,372
Total Revenues	<u>-</u>	<u>-</u>	<u>13,372</u>	<u>13,372</u>
EXPENDITURES				
Bond issuance costs	-	360,484	358,433	2,051
Total Expenditures	<u>-</u>	<u>360,484</u>	<u>358,433</u>	<u>2,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	(360,484)	(345,061)	15,423
OTHER FINANCING SOURCES (USES)				
Bond proceeds - Series 2019A	-	5,328,000	4,630,000	(698,000)
Bond proceeds - Series 2019B	-	-	698,000	698,000
Developer advances	-	894,635	-	(894,635)
Transfers out	-	(888,930)	(888,931)	(1)
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,333,705</u>	<u>4,439,069</u>	<u>(894,636)</u>
NET CHANGE IN FUND BALANCE	-	4,973,221	4,094,008	(879,213)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 4,973,221</u>	<u>\$ 4,094,008</u>	<u>\$ (879,213)</u>

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

Anthology West Metropolitan District No. 5

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2019

(Unaudited)

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2017	\$ 640	35.000	0.000	\$ 22	\$ 22	98.21%
2018	\$ 690	47.347	0.000	\$ 33	\$ 33	101.01%
2019	\$ 1,690	47.347	0.000	\$ 80	\$ 80	99.98%
Estimated for year ending December 31, 2020	\$ 1,020	0.000	47.678	\$ 49		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Anthology West Metropolitan District No. 5 (“the District”), located in Douglas 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 is a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act to provide the Public Improvements to the District’s service area, to be dedicated to the Town of Castle Rock (“Town”) or other appropriate jurisdiction or owner association. The Cherry Creek South Metropolitan District Nos 2-11 were subject to a consolidated service plan as approved by the Town in September 2004. On April 4, 2016 the Town of Parker approved the Amended and Restated Service Plan for Cherry Creek South Metropolitan District No. 2 and Cherry Creek South Metropolitan District No. 3 and Consolidated Service Plan for Cherry Creek South Metropolitan District No. 2 and Cherry Creek South Metropolitan District No. 3 and Anthology West Metropolitan District No. 4 (“District No. 4”), the District, and Anthology West Metropolitan District No. 6 (“District No. 6”) (collectively, “the Districts”), as amended by the First Amendment to the Consolidated Service Plan for Anthology West Metropolitan District No. 5 and Anthology West Metropolitan District No. 6. The District was organized pursuant to an Order and Decree recorded in the real property records of the Clerk and Recorder of Douglas County, Colorado on June 30, 2016. The District is a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act to provide, in coordination with the other Districts, public improvements to the Districts’ service area, to be dedicated to the Town or other appropriate jurisdiction or owner association. 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

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.

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 statement of governmental fund 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 for which they are collected.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

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.

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.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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.

In November 2019, the District, amended the total appropriations in the debt service fund from \$0 to \$25,571 and the capital projects fund from \$0 to \$1,249,414 in anticipation of an increase in capital improvements. During 2019 the District expenditures in the General Fund exceeded the total amount appropriated, this may be a violation of State budget law.

Assets, Liabilities and Net Position: Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable. The District estimates that the fair value of all financial instruments at December 31, 2019, 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

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.

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 does not have any items that qualify for reporting under 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 one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are, they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

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.

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.

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 \$3 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$869,240 is restricted for the payment of the debt service costs associated with the Series 2019A/B Bonds (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of \$4,094,008 is restricted for the payment of the costs for capital improvements within the District.

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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements
December 31, 2019

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 other 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.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can reports 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments – Restricted	\$ 4,963,248
Total	<u>\$ 4,963,248</u>

Cash and investments as of December 31, 2019 consist of the following:

Investments - COLOTRUST	\$ 4,963,248
Total	<u>\$ 4,963,248</u>

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.

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (“NAV”) per share.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

The District had no recurring fair value measurement as of December 31, 2019.

Credit Risk

The District investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2019, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. As of December 31, 2019, the District had \$4,963,248 invested in COLOTRUST.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements
December 31, 2019

Note 3: Long-Term Debt

A description of the long-term obligations as of December 31, 2019, is as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Series 2019A, (“Series 2019A Bonds”) – On October 25, 2019, the District issued its Series 2019A Bonds in the original principal amount of \$4,630,000. The Series 2019A Bonds bear interest at the rate of 4.875%, maturing December 1, 2049. The interest on the Series 2019A Bonds is payable semiannually on each June 1 and December 1, commencing on December 1, 2019. The Series 2019A Bonds were issued for the purpose of financing purposes of reimbursing a portion of the costs of acquiring, constructing, and installing certain public improvements, funding reserves and capital interest, and paying certain costs in connection with the Bonds. The Series 2019A Bonds are subject to mandatory sinking fund redemption prior to the maturity date, in part, by lot, upon payment of par and accrued interest, without redemption premium, on December 1, commencing December 1, 2023.

The Series 2019A Bonds are subject to optional redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2024, and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest thereon to the date of redemption, without redemption premium, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2024, to November 30, 2025	3.00%
December 1, 2025, to November 30, 2026	2.00
December 1, 2026, to November 30, 2027	1.00
December 1, 2027 and thereafter	0.00

The Series 2019A Bonds are secured by and payable from the Senior Pledged Revenue consisting of moneys derived by the District from the following sources, net of any costs of collection: (a) all Senior property tax Revenues; (b) all senior Specific Ownership Tax revenues; (c) all Capital Fees, and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund. The Series 2019A Bonds are also secured by amounts on deposit in the Senior Reserve Fund, which is to be funded from proceeds of the Series 2019A Bonds upon the issuance thereof in an amount equal to \$358,506 (the “Senior Reserve Requirement”).

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements
December 31, 2019

Subordinate Limited Tax General Obligation Bonds, Series 2019B (“Series 2019B Bonds”) – On October 25, 2019, the District issued its Series 2019B Bonds in the original principal amount of \$698,000 for the purpose of funding public capital facilities for the District and paying the costs of issuing the Series 2019B Bonds. The Series 2019B Bonds bear interest at a rate of 7.625%, payable to the extent there is Subordinate Pledged Revenue available therefore, on December 15 of each year, commencing December 15, 2019. Sufficient Subordinate Pledged Revenue to pay interest on the Series 2019B Bonds is not anticipated to become available until December 15, 2026. As long as the District is imposing the Subordinate Required Mill Levy and enforcing collection of the Subordinate Pledged Revenue, the District will not be in default.

The Series 2019B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 15, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed.

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2024, to November 30, 2025	3.00%
December 1, 2025, to November 30, 2026	2.00
December 1, 2026, to November 30, 2027	1.00
December 1, 2027 and thereafter	0.00

The Series 2019B Bonds are subject to mandatory redemption, as a whole or in integral multiples of \$1,000, on any date after December 15, 2019, upon payment of par and accrued interest, without redemption premium, from moneys in the subordinate bond fund.

The Series 2019B Bonds mature on December 15, 2049. Any amount of the unpaid principal or interest on the Series 2019B Bonds shall be deemed discharged on December 16, 2059.

The Series 2019B Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, consisting of moneys derived by the District from the following sources, net of any costs of collection: (a) all Subordinate Property Tax revenues; (b) all Subordinate Specific Ownership Tax revenues; (c) all subordinate Capital Fee revenue, if any; (d) any amounts in the Senior Surplus Fund upon termination the fund pursuant to the terms of the Senior Indenture; and (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements
December 31, 2019

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2019A Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 225,713	\$ 225,713
2021	-	225,713	225,713
2022	-	225,713	225,713
2023	-	225,713	225,713
2024	55,000	225,713	280,713
2025 - 2029	365,000	1,082,493	1,447,493
2030 - 2034	545,000	976,705	1,521,705
2035 - 2039	775,000	822,656	1,597,656
2040 - 2044	1,075,000	606,206	1,681,206
2045 - 2049	1,815,000	309,075	2,124,075
	<u>\$ 4,630,000</u>	<u>\$ 4,925,700</u>	<u>\$ 9,555,700</u>

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2019B Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025 - 2029	-	350,569	350,569
2030 - 2034	-	493,489	493,489
2035 - 2039	-	514,958	514,958
2040 - 2044	132,000	542,914	674,914
2045 - 2049	566,000	724,753	1,290,753
	<u>\$ 698,000</u>	<u>\$ 2,626,683</u>	<u>\$ 3,324,683</u>

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements
December 31, 2019

The following is an analysis of changes in long-term debt for the year ending December 31, 2019:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Current Portion
General Obligation Bonds - Series 2019A	\$ -	\$ 4,630,000	\$ -	\$ 4,630,000	\$ -
General Obligation Bonds - Series 2019B	-	698,000	-	698,000	-
Total	<u>\$ -</u>	<u>\$ 5,328,000</u>	<u>\$ -</u>	<u>\$ 5,328,000</u>	<u>\$ -</u>

Debt Authorization

At an election held in May 2016, a majority of the qualified electors of the District who voted in the election authorized the issuance of general obligation indebtedness in an amount not to exceed \$100,000,000 to finance the costs of public improvements. At a subsequent election held in November 2018, a majority of the qualified electors of the District who voted in the election authorized the issuance of general obligation indebtedness in an amount not to exceed \$120,000,000 to finance the costs of public improvements. After the issuance of the Series 2019A Bonds and the Series 2019B Bonds, \$114,672,000 authorization remain un-issued. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. As of the date of this audit, the amount and timing of any debt issuances is not determinable. Per the First Amendment to the Service Plan, the District and District No. 6 can issue additional debt not in excess of \$7,500,000 total aggregate principal amount.

Note 4: 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

On May 3, 2016, 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.

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

Note 5: 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 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.

Note 6: Agreements

Operating Services Agreement

On January 1, 2017 the Districts entered into a District Operating Services Agreement whereby District No. 6 was designated as the entity that will coordinate capital construction and financing activities on behalf of the Districts, and the District, District No. 2, District No. 3 and District No. 4 are designated the as the Taxing Districts. The Taxing Districts are responsible for all costs fees charges, and expenses incurred by District No. 6 through the imposition of a General Fund Mill Levy. District No. 6 is responsible for all administrative and operational services. The Taxing Districts may terminate the Operating Service Agreement upon 90 days written notice to District No. 6.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

Mill Levy Equalization Agreement

On January 1, 2017, the Districts entered into a Mill Levy Equalization and Pledge Agreement for the purpose of providing for the imposition of a uniform mill levy throughout the Districts for the purpose of paying the Series 2018 Bonds and any parity bonds or obligations issued by any of the Taxing Districts for the purpose of financing public improvements, reimbursing Anthology Recovery Acquisition, LLC, a subsidiary of CrossLake Partners (“CrossLake”), (“Developer”) and paying the administrative, operations and maintenance costs of the District and the public improvements.

Construction Funding and Reimbursement Agreement

On July 12, 2016, District No. 6 entered into a Construction and Reimbursement Agreement with the Developer whereby the Developer agreed to advance funds to District No. 6 for the construction and installation of public infrastructure within the boundaries of the Districts through December 31, 2020. The Districts state their intention to repay the advances and the advances made by the Developer will bear simple interest at a rate of 8.0% per annum. The Districts’ obligation terminates at the earlier of repayment in full or 40 years from the date of the agreement.

Operations Funding Agreement

On July 12, 2016, District No. 6 entered into a District Operations Funding Agreement with the Developer whereby the Developer agreed to advance funds to District No. 6 for the payment of O&M costs incurred by the Districts through December 31, 2020. The Districts state their intention to repay the advances and the advances made by the Developer will bear simple interest at a rate of 8.0% per annum. The Districts’ obligation terminates at the earlier of repayment in full or 40 years from the date of the agreement.

Infrastructure Acquisition and Reimbursement Agreement

On November 15, 2019, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with the Developer and Century at Anthology, LLC, (“Century”) whereas Century has agreed to construct and complete certain public infrastructure. The District agrees to acquire and reimburse Century for the public infrastructure. Once the balance of the 2019 Construction Fund is \$4,973,221 or less, no draws shall be made thereon by Trustee or at the direction of any party until Century receives full reimbursement for all District Eligible Costs in connection with, arising from and/or related to, the Century Public Infrastructure. In 2019, the District did not make any reimbursements.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 5

Notes to Financial Statements December 31, 2019

Capital Fee Pledge Agreement

Capital Fee revenue consists of fees imposed by the Operating District (“District No. 6”) within the boundaries of the District pursuant to the Capital Facilities Fee Resolution in an amount initially equal to \$1,500 for each single family attached or multi-family residential unit and in the amount of \$2,000 for each single family detached residential unit, payable on or before the date of issuance of a certificate of occupancy for such residential unit. The funds are collected by District No. 6 and transferred to the District for payment on the Series 2019A Bonds and Series 2019B Bonds. In 2019, no fees were collected by District No. 6.

Note 7: Related Party

The Developer acquired significant ownership and/or investment interests in the property within the District. One member of the Board of Directors is an employee of RainTree Investment Corporation, which is the exclusive agent for CrossLake Partners. Four other directors are consultants, directly or indirectly, to CrossLake Partners. Management believes that all potential conflicts, if any, have been disclosed to the Board and filed with the State as required by Title 32, Colorado Revised Statutes.

Note 8: Interfund and Operating Transfers

The transfer of \$888,931 from the Capital Projects Fund to Debt Service Fund was transferred for the purpose of the Series 2019A and Series 2019B Bonds Issuance.

Note 9: 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 have the following elements:

- 1) long-term liabilities such as bonds payable and accrued bond 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 have the following elements:

- 1) 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
- 2) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Anthology West Metropolitan District No. 5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 2,880	\$ 2,880
Total Revenues	<u>-</u>	<u>-</u>	<u>2,880</u>	<u>2,880</u>
EXPENDITURES				
Bond interest expense	-	22,571	22,571	-
Paying agent fees	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenditures	<u>-</u>	<u>25,571</u>	<u>22,571</u>	<u>3,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(25,571)	(19,691)	5,880
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>888,930</u>	<u>888,931</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>888,930</u>	<u>888,931</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	-	863,359	869,240	5,881
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 863,359</u>	<u>\$ 869,240</u>	<u>\$ 5,881</u>

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

Anthology West Metropolitan District No. 5

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 13,372	\$ 13,372
Total Revenues	<u>-</u>	<u>-</u>	<u>13,372</u>	<u>13,372</u>
EXPENDITURES				
Bond issuance costs	-	360,484	358,433	2,051
Total Expenditures	<u>-</u>	<u>360,484</u>	<u>358,433</u>	<u>2,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(360,484)	(345,061)	15,423
OTHER FINANCING SOURCES (USES)				
Bond proceeds - Series 2019A	-	5,328,000	4,630,000	(698,000)
Bond proceeds - Series 2019B	-	-	698,000	698,000
Developer advances	-	894,635	-	(894,635)
Transfers out	-	(888,930)	(888,931)	(1)
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,333,705</u>	<u>4,439,069</u>	<u>(894,636)</u>
NET CHANGE IN FUND BALANCE	-	4,973,221	4,094,008	(879,213)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 4,973,221</u>	<u>\$ 4,094,008</u>	<u>\$ (879,213)</u>

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

Anthology West Metropolitan District No. 5

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2019

(Unaudited)

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2017	\$ 640	35.000	0.000	\$ 22	\$ 22	98.21%
2018	\$ 690	47.347	0.000	\$ 33	\$ 33	101.01%
2019	\$ 1,690	47.347	0.000	\$ 80	\$ 80	99.98%
Estimated for year ending December 31, 2020	\$ 1,020	0.000	47.678	\$ 49		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.