

EAGLE'S NEST METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2019

with

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eagle's Nest Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of Eagle's Nest Metropolitan 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 opinions 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Eagle's Nest Metropolitan District, as of December 31, 2019, 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 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 the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Eagle's Nest Metropolitan District. The schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Debt Service Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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. In our opinion, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Debt Service Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
Denver, Colorado

July 17, 2019

EAGLE'S NEST METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash	\$ 12,007	\$ -	\$ 12,007	\$ -	\$ 12,007
Cash - restricted	-	290,203	290,203	-	290,203
Receivable - County Treasurer	1,891	1,032	2,923	-	2,923
Property taxes receivable	<u>304,586</u>	<u>166,138</u>	<u>470,724</u>	<u>-</u>	<u>470,724</u>
Total Assets	<u>\$ 318,484</u>	<u>\$ 457,373</u>	<u>\$ 775,857</u>	<u>-</u>	<u>775,857</u>
LIABILITIES					
Accounts payable	\$ 3,431	\$ -	\$ 3,431	-	3,431
Accrued interest on bonds	-	-	-	8,021	8,021
Due to other governmental entities	-	54,607	54,607	-	54,607
Long-term liabilities:					
Due within one year	-	-	-	34,000	34,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,627,714</u>	<u>1,627,714</u>
Total Liabilities	<u>3,431</u>	<u>54,607</u>	<u>58,038</u>	<u>1,669,735</u>	<u>1,727,773</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>304,586</u>	<u>166,138</u>	<u>470,724</u>	<u>-</u>	<u>470,724</u>
Total Deferred Inflows of Resources	<u>304,586</u>	<u>166,138</u>	<u>470,724</u>	<u>-</u>	<u>470,724</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	926	-	926	(926)	-
Debt service	-	236,628	236,628	(236,628)	-
Assigned:					
Subsequent years disbursements	<u>9,541</u>	<u>-</u>	<u>9,541</u>	<u>(9,541)</u>	<u>-</u>
Total Fund Balances	<u>10,467</u>	<u>236,628</u>	<u>247,095</u>	<u>(247,095)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 318,484</u>	<u>\$ 457,373</u>	<u>\$ 775,857</u>		
Net Position:					
Restricted for:					
Emergencies				926	926
Debt service				228,607	228,607
Capital projects				-	-
Unrestricted				<u>(1,652,173)</u>	<u>(1,652,173)</u>
Total Net Position				<u>\$ (1,422,640)</u>	<u>\$ (1,422,640)</u>

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

EAGLE'S NEST METROPOLITAN DISTRICT

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>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 12,000	\$ -	\$ 12,000	\$ -	\$ 12,000
Election expense	-	-	-	-	-
Insurance	3,316	-	3,316	-	3,316
Legal	6,291	-	6,291	-	6,291
Management fees	-	-	-	-	-
Miscellaneous expenses	132	-	132	-	132
Treasurer's fees	4,238	2,311	6,549	-	6,549
Bond principal	-	92,000	92,000	(92,000)	-
Bond interest expense	-	102,465	102,465	(518)	101,947
Paying agent fees	2,000	-	2,000	-	2,000
Regional mill levy transfer	-	9,119	9,119	-	9,119
Depreciation	-	-	-	-	-
Developer advances - principal	182,168	-	182,168	(182,168)	-
Developer advances - interest	32,832	-	32,832	(9,710)	23,122
Total Expenditures	<u>242,977</u>	<u>205,895</u>	<u>448,872</u>	<u>(284,396)</u>	<u>164,476</u>
GENERAL REVENUES					
Property taxes	281,869	153,747	435,616	-	435,616
Specific ownership taxes	22,643	12,350	34,993	-	34,993
Interest income	652	3,164	3,816	-	3,816
Total General Revenues	<u>305,164</u>	<u>169,261</u>	<u>474,425</u>	<u>-</u>	<u>474,425</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	62,187	(36,634)	25,553	284,396	309,949
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(62,000)</u>	<u>62,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(62,000)</u>	<u>62,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	187	25,366	25,553	(25,553)	
CHANGE IN NET POSITION					
				309,949	309,949
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>10,280</u>	<u>211,262</u>	<u>221,542</u>	<u>(1,954,131)</u>	<u>(1,732,589)</u>
END OF YEAR	<u>\$ 10,467</u>	<u>\$ 236,628</u>	<u>\$ 247,095</u>	<u>\$ (1,669,735)</u>	<u>\$ (1,422,640)</u>

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

EAGLE'S NEST METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 288,815	\$ 281,869	\$ (6,946)
Specific ownership taxes	19,739	22,643	2,904
Interest income	-	652	652
Total Revenues	<u>308,554</u>	<u>305,164</u>	<u>(3,390)</u>
EXPENDITURES			
Accounting and audit	12,600	12,000	600
Insurance	3,820	3,316	504
Legal	7,500	6,291	1,209
Miscellaneous expenses	1,000	132	868
Treasurer's fees	4,332	4,238	94
Paying agent fees	2,000	2,000	-
Repay developer advances	215,000	215,000	-
Contingency	6,656	-	6,656
Emergency reserve	938	-	938
Total Expenditures	<u>253,846</u>	<u>242,977</u>	<u>10,869</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54,708	62,187	7,479
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(62,000)</u>	<u>(62,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(62,000)</u>	<u>(62,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(7,292)	187	7,479
FUND BALANCE:			
BEGINNING OF YEAR	<u>7,292</u>	<u>10,280</u>	<u>2,988</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 10,467</u>	<u>\$ 10,467</u>

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

EAGLE’S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Eagle’s Nest Metropolitan District, located in the City of Aurora, Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 29, 2007, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the property owners and taxpayers of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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.

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.

Budgetary Accounting

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.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. 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.

Deposits

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.

The District follows the practice of pooling cash 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.

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 in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has 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.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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.

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.

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.

Fund Balance

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 \$926 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 \$236,628 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2008 (see Note 3).

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Committed Fund Balance

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

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2020.

Unassigned Fund Balance

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

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 report three categories of net position, as follows:

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

EAGLE’S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

The District has a deficit in unrestricted net position as of December 31, 2019. This deficit amount is the result of the District being responsible for the payment of debt issued for public improvements that were conveyed to other governmental entities and which costs were removed from the District’s financial records.

Note 2: Cash

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

Statement of Net Position:

Cash	\$ 12,007
Cash – Restricted	<u>290,203</u>
Total	<u>\$ 302,210</u>

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

Deposits with financial institutions	<u>\$ 302,210</u>
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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 does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Note 3: Long Term Debt

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

The District issued \$2,000,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2008 dated July 16, 2008. The Bonds were issued for the purposes of paying or reimbursing a portion of the costs of acquiring, constructing, relocating and installing certain public improvements, providing capitalized interest for payment of a portion of the interest of the bonds, funding the Reserve Fund and paying the costs of issuance of the bonds. The Bonds are term bonds due on December 1, 2037, with mandatory sinking fund payments which started at \$10,000 on December 1, 2011, and

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

increasing annually thereafter. The bonds bear interest at 6.75% per annum, payable semiannually on each June 1 and December 1, which commenced on December 1, 2008. The 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 1, 2018, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. During 2018 and 2019, the District redeemed \$65,000 and \$62,000, respectively, of Bonds under this provision.

The Bonds are general obligations of the District secured by and payable from the Pledged Revenue, consisting of moneys derived by the District from a required mill levy, capital fees, the portion of specific ownership tax which is collected as a result of the imposition of the required mill levy and any other legally available moneys which the District determines to transfer to the Trustee for application as pledged revenue. The mill levy limitation can be removed when the ratio of the Series 2008 Bonds to the total assessed value of the property within the boundaries of the District is less than 50%. As of December 31, 2019, the balance in the reserve fund was \$189,947.

The Series 2008 Bonds were subject to mandatory excess funds redemption on December 1, 2011, in multiples of \$1,000, solely from any moneys held in the restricted project fund account on October 15, 2011. On December 1, 2011, \$279,000 in bonds were redeemed pursuant to this provision.

Developer Advance

On July 11, 2008, the District passed a resolution regarding Infrastructure Acquisition and Reimbursement ("Acquisition Resolution"). Pursuant to the Acquisition Resolution, the District acknowledged that Servicestar Development Company, LLC ("Servicestar Development") had incurred certain costs related to the public infrastructure for the benefit of the District and expects to incur additional costs. Per the Acquisition Resolution, the District will acquire Public Infrastructure constructed for the benefit of the District from Servicestar Development that is not otherwise being dedicated to other governmental entities, and to pay all reasonable costs thereto and will also reimburse Servicestar Development for any costs incurred by Servicestar Development for Public Infrastructure that is being dedicated to third parties on behalf of the District. The District Eligible Costs shall bear simple interest at a rate of 8% per annum from the date of acceptance by the District or other governmental entity of the respective public infrastructure improvement to the date of payment of such amount in full. The District intends to repay all District Eligible Costs, together with interest thereon, subject to annual appropriation and budget approval. On November 6, 2016, the District, Servicestar Development, and Servicestar Capital Partners, LLC (the "Developer") entered into an Assignment of Reimbursement Rights and Revenues, where Servicestar Development assigned the Developer all amounts payable now and hereafter from the District to Servicestar Development under the Acquisition Resolution. In 2017, 2018 and 2019, the District repaid Developer Advances in the amount of \$165,000, \$215,000 and \$215,000, respectively.

EAGLE'S NEST METROPOLITAN DISTRICT

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:

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds					
Series 2008	\$ 1,518,000	\$ -	\$ 92,000	\$ 1,426,000	\$ 34,000
Developer Advance -					
Capital	409,463	-	182,168	227,295	-
Developer Advance -					
Interest	18,129	23,122	32,832	8,419	-
	<u>\$ 1,945,592</u>	<u>\$ 23,122</u>	<u>\$ 307,000</u>	<u>\$ 1,661,714</u>	<u>\$ 34,000</u>

The Developer Advance Capital and Accrued Interest are paid by the General Fund.

The following is a summary of the annual long-term debt principal and interest requirements for the General Obligation Bonds Series 2008.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 34,000	\$ 96,255	\$ 130,255
2021	34,000	93,960	127,960
2022	39,000	91,665	130,665
2023	43,000	89,032	132,032
2024	47,000	86,130	133,130
2025-2029	319,000	375,166	694,166
2030-2034	478,000	247,792	725,792
2035-2037	432,000	62,167	494,167
	<u>\$ 1,426,000</u>	<u>\$ 1,142,167</u>	<u>\$ 2,568,167</u>

As of December 31, 2019, the District had remaining voted debt authorization of approximately \$208,000,000. The District has not budgeted to issue any additional debt in 2020. Per the District's Service Plan and the Intergovernmental Agreement with the City of Aurora, the District shall have the authority to issue debt for regional improvements in an amount not to exceed \$15,000,000.

Note 4: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

EAGLE’S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 5: Tax, Spending and Debt Limitations

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

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

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

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

Note 6: Risk Management

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

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 7: 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, accrued bond interest payable, and developer advances payable are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund 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 repayments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Note 8: Intergovernmental Agreements

On December 10, 2007, the District entered into an Intergovernmental Agreement with the City of Aurora. Under this agreement, the District must obtain the approval of the Aurora City Council prior to any inclusion of property outside of the service area into the boundaries of the District. Prior to issuance of any privately placed debt, the District shall obtain a certificate from an External Financial Advisor certifying the reasonableness of the interest rate and the structure. Pursuant to the agreement, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to the City under certain circumstances. The Agreement requires the District to dedicate the public improvements to the City of Aurora or other appropriate jurisdiction for ownership and maintenance consistent with the approved development plan. The District is authorized, but not obligated to, operate and maintain the park and recreation improvements. Per the Agreement, the District shall not issue debt in excess of \$15,000,000.

Note 9: Other Agreements

On November 10, 2008, and amended September 13, 2012, the District entered into an Aurora Regional Improvement No. 5 Establishment Agreement, pursuant to the IGA in Note 8, regarding the regional mill levy. Per the agreement, the District, City of Aurora, Cornerstar Metropolitan District, Wheatlands Metropolitan District and Aurora Crossroads Metropolitan Districts Nos. 1-3 established the Aurora Regional Improvement Authority No. 5 (the "Authority"). In 2018, the District entered into an Aurora Regional Improvement Authority No. 5 Second Amendment to Establishment Agreement to add Iliff

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Commons Metropolitan District No. 3 and Murphy Creek Metropolitan District Nos 1, 2, 4 and 5 as members of the Authority. In 2017, Wheatlands Metropolitan District withdrew from the Authority. The Authority was organized for the purpose of planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing the Regional Improvements designated in the ARI Master Plans, as defined in the Aurora Model Service Plan from the ARI mill levy revenues and/or the proceeds of revenue bonds to be issued by the Authority. Each of the Districts that is a party to this agreement agrees that the Authority may fund its operations with the ARI mill levy revenues transferred to the Authority from each District. The amount of money necessary to fund the operations of the Authority shall be allocated on a pro-rata basis between all of the Districts. In the event there is a shortfall in funds necessary to operate the Authority, each District agrees to advance funds to the Authority on a pro-rata basis. The Authority shall reimburse any operational advances from the ARI mill levy revenue received from each respective district. Until such time as there is a unanimous vote of the Members of the Authority, or a unanimous vote of a Project Committee, requiring the ARI mill levy revenue to be transferred to the Authority, the ARI mill levy revenue shall be held by the Districts. As of December 31, 2019, the Authority has not requested transfer of the funds to the Authority. On September 13, 2012, the District entered into a Project Committee Agreement. Per the agreement, the District, Cornerstar Metropolitan District and Wheatlands Metropolitan District gave the authority to Wheatlands Metropolitan District to use revenues from the Wheatlands ARI mill levy for the ARI Master Plan approved by the Authority. On November 12, 2012, the District entered into a Project Committee Agreement. Per the agreement, the District, Cornerstar Metropolitan District and Wheatlands Metropolitan District gave the authority to Cornerstar Metropolitan District to use revenues from the Cornerstar ARI mill levy for the ARI Master Plan approved by the Authority. As of December 31, 2019, \$54,607 is recorded as a payable under this agreement.

The notes to the Financial Statements are an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

EAGLE'S NEST METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 148,784	\$ 145,205	\$ (3,579)
Property taxes regional mill levy	8,752	8,542	(210)
Specific ownership taxes	10,168	11,664	1,496
Specific ownership taxes regional mill levy	598	686	88
Interest income	<u>-</u>	<u>3,164</u>	<u>3,164</u>
Total Revenues	<u>168,302</u>	<u>169,261</u>	<u>959</u>
EXPENDITURES			
Bond principal	118,000	92,000	26,000
Bond interest expense	106,868	102,465	4,403
Regional mill levy transfer	9,219	9,119	100
Treasurer's fees	2,212	2,183	29
Treasurer's fees regional mill levy	<u>131</u>	<u>128</u>	<u>3</u>
Total Expenditures	<u>236,430</u>	<u>205,895</u>	<u>30,535</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(68,128)	(36,634)	31,494
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>62,000</u>	<u>62,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>62,000</u>	<u>62,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(6,128)	25,366	31,494
FUND BALANCE:			
BEGINNING OF YEAR	<u>195,786</u>	<u>211,262</u>	<u>15,476</u>
END OF YEAR	<u>\$ 189,658</u>	<u>\$ 236,628</u>	<u>\$ 46,970</u>

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