

**The Shores on Plum Creek Metropolitan District No 1**

Year Ended December 31, 2020  
with  
Independent Auditor's Report

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## Independent Auditor's Report

Board of Directors  
The Shores on Plumb Creek Metropolitan District No.1  
Weld County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of The Shores on Plumb Creek Metropolitan District No.1 (the "District") as of and for the year ended December 31, 2020, 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 The Shores on Plumb Creek Metropolitan District No.1 as of December 31, 2020, 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, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,



Wipfli LLP  
Lakewood, Colorado

September 29, 2021

## The Shores on Plum Creek Metropolitan District No 1

### Balance Sheet/Statement of Net Position Governmental Funds December 31, 2020 (See Independent Auditor's Report)

	General	Capital Projects	Total	Adjustments	Statement of Net Position
<b>Assets:</b>					
Cash and investments	\$ 3,321,239	\$ -	\$ 3,321,239	\$ -	\$ 3,321,239
Service fee receivable	22,375	-	22,375	-	22,375
Prepaid expenses	6,285	-	6,285	-	6,285
Property taxes receivable	1	-	1	-	1
Capital assets, not being depreciated	-	-	-	51,000	51,000
<b>Total assets</b>	<b><u>\$ 3,349,900</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,349,900</u></b>	<b><u>51,000</u></b>	<b><u>3,400,900</u></b>
<b>Liabilities:</b>					
Accounts payable	\$ 16,592	\$ -	\$ 16,592	-	16,592
Due to county	132,425	-	132,425	-	132,425
<b>Total liabilities</b>	<b><u>149,017</u></b>	<b><u>-</u></b>	<b><u>149,017</u></b>	<b><u>-</u></b>	<b><u>149,017</u></b>
<b>Deferred inflows of resources:</b>					
Property tax revenue	1	-	1	-	1
<b>Total deferred inflow of resources</b>	<b><u>1</u></b>	<b><u>-</u></b>	<b><u>1</u></b>	<b><u>-</u></b>	<b><u>1</u></b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Prepays	6,285	-	6,285	(6,285)	-
Restricted for emergencies	130,000	-	130,000	(130,000)	-
Unassigned	3,064,597	-	3,064,597	(3,064,597)	-
<b>Total fund balances</b>	<b><u>3,200,882</u></b>	<b><u>-</u></b>	<b><u>3,200,882</u></b>	<b><u>(3,200,882)</u></b>	<b><u>-</u></b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b><u>\$ 3,349,900</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,349,900</u></b>		
<b>Net position:</b>					
Net investment in capital assets				51,000	51,000
Unrestricted				3,459,555	3,459,555
				<b><u>\$ 3,510,555</u></b>	<b><u>\$ 3,510,555</u></b>

(See Notes to Basic Financial Statements)

## The Shores on Plum Creek Metropolitan District No 1

### Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds Year Ended December 31, 2020 (See Independent Auditor's Report)

	General	Capital Projects	Total	Adjustments	Statement of Activities
Expenditures:					
Accounting, audit and finance	\$ 16,200	\$ -	\$ 16,200	\$ -	\$ 16,200
Appraisal services	97,677	-	97,677	-	97,677
Capital outlay	-	51,000	51,000	(51,000)	-
Consulting	106,284	-	106,284	-	106,284
District management	28,020	-	28,020	-	28,020
Election	2,261	-	2,261	-	2,261
Engineering	18,173	-	18,173	-	18,173
Insurance	2,979	-	2,979	-	2,979
Legal	221,962	-	221,962	-	221,962
Office, dues and other	2,909	-	2,909	-	2,909
Organizational/formation	183,486	-	183,486	-	183,486
Settlement	150,000	-	150,000	-	150,000
Total expenditures	<u>829,951</u>	<u>51,000</u>	<u>880,951</u>	<u>(51,000)</u>	<u>829,951</u>
General revenues:					
Service fees District No. 2	29,468	-	29,468	-	29,468
Service fees District No. 3	154	-	154	-	154
Service fees District No. 4	2,071,576	-	2,071,576	-	2,071,576
Service fees District No. 5	97,570	-	97,570	-	97,570
Service fees District No. 6	8,354	-	8,354	-	8,354
Service fees District No. 7	769	-	769	-	769
Service fees District No. 8	2,116,953	-	2,116,953	-	2,116,953
Service fees District No. 10	6,293	-	6,293	-	6,293
Property taxes	1	-	1	-	1
Interest and other income	717	-	717	-	717
Total general revenues	<u>4,331,855</u>	<u>-</u>	<u>4,331,855</u>	<u>-</u>	<u>4,331,855</u>
Excess (deficiency) of revenue over expenditures	3,501,904	(51,000)	3,450,904	51,000	3,501,904
Other financing sources (uses)					
Developer advances	288,860	-	288,860	(288,860)	-
Repay developer advances	(547,533)	-	(547,533)	547,533	-
Transfer (to) from other funds	(51,000)	51,000	-	-	-
Total other financing sources (uses)	<u>(309,673)</u>	<u>51,000</u>	<u>(258,673)</u>	<u>258,673</u>	<u>-</u>
Net changes in fund balances	3,192,231	-	3,192,231	(3,192,231)	-
Change in net position				3,501,904	3,501,904
Fund balances/net position - beginning of year	<u>8,651</u>	<u>-</u>	<u>8,651</u>		<u>8,651</u>
Fund balances/net position - end of year	<u>\$ 3,200,882</u>	<u>\$ -</u>	<u>\$ 3,200,882</u>	<u>\$ 3,501,904</u>	<u>\$ 3,510,555</u>

(See Notes to Basic Financial Statements)

## The Shores on Plum Creek Metropolitan District No 1

### Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund Year Ended December 31, 2020 (See Independent Auditor’s Report)

	Original	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues:</b>				
Service fees District No. 2	\$ 29,727	\$ 29,727	\$ 29,468	\$ (259)
Service fees District No. 3	156	156	154	(2)
Service fees District No. 4	2,087,991	2,087,991	2,071,576	(16,415)
Service fees District No. 5	2,148,339	2,148,339	97,570	(2,050,769)
Service fees District No. 6	8,450	8,450	8,354	(96)
Service fees District No. 7	779	779	769	(10)
Service fees District No. 8	2,138,172	2,138,172	2,116,953	(21,219)
Service fees District No. 10	6,370	6,370	6,293	(77)
Property taxes	1	1	1	-
Note proceeds - formation	175,000	175,000	-	(175,000)
Interest and other income	-	-	717	717
<b>Total revenues</b>	<b>6,594,985</b>	<b>6,594,985</b>	<b>4,331,855</b>	<b>(2,263,130)</b>
<b>Expenditures:</b>				
Accounting, audit and finance	21,000	18,000	16,200	1,800
Appraisal services	-	94,677	97,677	(3,000)
Consulting	-	111,129	106,284	4,845
District management	28,000	28,000	28,020	(20)
Election	5,500	2,261	2,261	-
Engineering	5,000	10,000	18,173	(8,173)
Insurance	7,500	2,979	2,979	-
Legal	50,000	250,000	221,962	28,038
Office, dues and other	3,000	2,500	2,909	(409)
Property closing support	1,440	1,440	-	1,440
ARC review	720	-	-	-
Organizational/formation	175,000	183,486	183,486	-
Settlement	-	150,000	150,000	-
	<b>297,160</b>	<b>854,472</b>	<b>829,951</b>	<b>24,521</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>6,297,825</b>	<b>5,740,513</b>	<b>3,501,904</b>	<b>(2,238,609)</b>
<b>Other financing sources (uses):</b>				
Developer advances	-	-	288,860	288,860
Transfer to Capital Projects Fund	(5,950,000)	(51,000)	(51,000)	-
Repay developer advances	(275,000)	(816,514)	(547,533)	268,981
<b>Total other financing uses</b>	<b>(6,225,000)</b>	<b>(867,514)</b>	<b>(309,673)</b>	<b>557,841</b>
<b>Net change in fund balance</b>	<b>72,825</b>	<b>4,872,999</b>	<b>3,192,231</b>	<b>(1,680,768)</b>
<b>Fund balance - beginning of year</b>	<b>5,081</b>	<b>5,081</b>	<b>8,651</b>	<b>3,570</b>
<b>Fund balance - end of year</b>	<b>\$ 77,906</b>	<b>\$ 4,878,080</b>	<b>\$ 3,200,882</b>	<b>\$ (1,677,198)</b>

(See Notes to Basic Financial Statements)

# The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

## 1. Summary of Significant Accounting Policies

The accounting policies of The Shores on Plum Creek Metropolitan District No 1 (the "District"), located in Weld County, Colorado (the "County"), 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 Shores on Plum Creek Metropolitan District Nos. 1-5 were organized pursuant to Orders of the Weld County District Court following an election in May 2018, later amended to include Nos. 6-10 (collectively, the "Districts"), at which time a majority of the eligible electors voted in favor of the formation of the Districts, elected members to the initial board of directors and voted in favor of certain tax and debt authorization. Pursuant to the Service Plan for The Shores on Plum Creek Metropolitan District Nos. 1-10, as amended (the "Service Plan") initially approved on March 27, 2018 and amended on December 11, 2018 by the Town the Districts have the ability to construct and finance major public improvements as well as additional amenities, including, but not limited to park and recreation, landscaping, water, drainage, wastewater and road improvements within their boundaries. The District is considered the operating district with the purpose of providing a part or all of the public improvements for the benefit of the taxpayers of the Districts. The District works in conjunction with Districts No. 2-10 to finance, construct, operate and maintain the public improvements. Service fee revenue of \$4,331,137 was received by the District from Districts 2-10 during 2020 to support the operations of the District and provide funding for public improvements.

The District is a quasi-municipal governmental entity governed by an elected Board of Directors with the power to impose property taxes and other fees and charges for services within its boundaries and is an independent unit of local government, separate and distinct from the Town of Frederick (the "Town"), within which the District is located. The District has no employees and all operations and administrative functions are contracted.

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

As of December 31, 2020, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

# The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

## 1. Summary of Significant Accounting Policies (continued)

### 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 government 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 activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. The effect of interfund activity has been removed from these statements.

The statement of net position reports all financial and capital resources of the District. The difference between (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 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 operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

### Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when the District receives the cash.

# The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

## 1. Summary of Significant Accounting Policies (continued)

### Measurement focus, basis of accounting and financial statement presentation (continued)

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital facilities and other assets.

### Budgets and 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 appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2020.

### Assets, Liabilities and Net Position

#### Fair value of financial instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

#### Deposits and Investments

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

# The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

## 1. Summary of Significant Accounting Policies (continued)

### Capital assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

### Long-term obligations

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

### Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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.

### 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.

# The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

## 1. Summary of Significant Accounting Policies (continued)

### Fund balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory or prepaid expenses) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making District, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

# The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

## 1. Summary of Significant Accounting Policies (continued)

### Net position

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

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

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

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

## 2. 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 taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

## 3. Cash and Investments

Cash and investments as of December 31, 2020 are classified on the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ <u>3,321,239</u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ <u>3,321,239</u>
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## The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

### 3. Cash and Investments (continued)

#### 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 investments are 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.

##### Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding 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, 2020, the District had no investments.

## The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

### 4. Capital Assets

Changes in capital assets for the year ended December 31, 2020 are as follows:

	Balance at January 1, 2020	Additions	Deletions	Balance at December 31, 2020
<u>Capital Assets Not Being Depreciated</u>				
Easement	\$ -	\$ 51,000	\$ -	\$ 51,000
Total Capital Assets Not Being Depreciated	<u>\$ -</u>	<u>\$ 51,000</u>	<u>\$ -</u>	<u>\$ 51,000</u>

### 5. Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2020 are as follows:

	Balances at January 1, 2020	Additions	Reductions	Balances at December 31, 2020	Current Portion
Developer Advance	\$ 100,000	\$ 425,000	\$ (525,000)	\$ -	\$ -
Accrued Interest on Developer Advance	1,054	21,479	(22,533)	-	-
Total	<u>\$ 101,054</u>	<u>\$ 446,479</u>	<u>\$ (547,533)</u>	<u>\$ -</u>	<u>\$ -</u>

The following are descriptions of the District's long-term obligations.

#### Advance and Reimbursement Agreement (Capital Costs)

On May 30, 2019, the District entered into an Amended and Restated Advance and Reimbursement Agreement (Agreement) which superseded and replaced the Advance and Reimbursement Agreement dated June 4, 2018, with the prior development company Farfrumwurkin, LLLP. Since that time, the development company has changed to Kokaloe, LLC. Any advances or loans from the prior development company remain an obligation of the District to reimburse; however, those reimbursements shall be made to Kokaloe, LLC as the current "Developer." The District agreed to reimburse the Developer for capital advances which had been, or were to be, made on behalf of the District by the issuance of a subordinate promissory note in a principal amount not to exceed \$69,000,000. The advances do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The advances bear interest at a rate of 2% plus the current Federal Reserve Board Prime Rate per annum from the date of the advance.

The advances are to be repaid using any legally available revenues, including bond proceeds. As of December 31, 2020, no advances were outstanding.

## The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

### 5. Long-Term Obligations (continued)

#### Funding and Reimbursement Agreement (Operations and Maintenance Costs)

On May 30, 2019, the District entered into an Amended and Restated Funding and Reimbursement Agreement (Agreement) which superseded and replaced the Funding and Reimbursement Agreement dated June 4, 2018, with the prior development company Farfrumwurkin, LLLP. The District agreed to reimburse the Developer for operations and maintenance advances which had been, or were to be, made on behalf of the District by the issuance of a promissory note in a principal amount not to exceed \$5,000,000. The advances do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The advances bear interest at a rate of 2% plus the current Federal Reserve Board Prime Rate per annum from the date of the advance.

The advances are to be repaid using any legally available revenues. As of December 31, 2020, no advances were outstanding.

### 6. District Agreements

#### Funding and Reimbursement Agreement (Operations and Maintenance Costs)

On May 30, 2019, the District along with District Nos. 2-8 and District No. 10 (collectively the "Contracting Districts") entered into an Amended and Restated Funding and Reimbursement Agreement (Agreement) which superseded and replaced the Funding and Reimbursement Agreement dated June 4, 2018, with the prior development company Farfrumwurkin, LLLP. The Contracting Districts agreed to reimburse the Developer for operations and maintenance advances which had been, or were to be, made on behalf of the Contracting Districts by the issuance of a promissory note in a principal amount not to exceed \$5,000,000. The advances do not constitute multiple fiscal year financial obligations of the Contracting Districts and are not subject to annual appropriation by the Contracting Districts. The advances bear interest at a rate of 2% plus the current Federal Reserve Board Prime Rate per annum from the date of the advance. The advances are to be repaid using any legally available revenues. As of December 31, 2020, no advances were outstanding.

#### Intergovernmental Cooperation Agreement with the Town of Frederick

On October 8, 2019, the District entered into an Intergovernmental Agreement with the Town of Frederick (the "Town") and District No. 1, regarding Water Supplies and Water Resources. The Parties agree to cooperate on investigating and developing a detailed, yet flexible plan on how to cooperate on the optimization of the collective Water owned or leased between the Parties and/or may be acquired by a Party or by the Parties (the "Plan").

#### Property Tax Advancement due County

During 2020, the County authorized an advance on property taxes due District No. 4 of \$132,425 in accordance with state legislation in response to the COVID-19 pandemic. The District assumed the obligation as all property tax payments were transferred from District No. 4. The amount was repaid to the County during 2021.

## **The Shores on Plum Creek Metropolitan District No 1**

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

### **7. Net Position**

The District's net position consists of two components – net investment in capital assets and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The District had \$51,000 representing an easement as of December 31, 2020.

As of December 31, 2020, the District has unrestricted net position of \$3,459,555.

### **8. Interfund Transfers**

The transfer of \$51,000 from the General Fund to the Capital Projects Fund was transferred for the purpose of funding capital acquisitions.

### **9. Related Party Transactions**

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.

### **10. Risk Management**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

## The Shores on Plum Creek Metropolitan District No 1

Notes to Basic Financial Statements  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

### 11. Tax, Spending and Debt Limitations

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

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 and benefit increases. The District has reserved \$130,000 for Tabor reserves.

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.

### 12. Reconciliation of Government-wide Financial Statements and Fund Financial Statements

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

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

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

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

Accompanying Supplemental Information  
(See Independent Auditor's Report)

**The Shores on Plum Creek Metropolitan District No 1**

Statement of Revenues, Expenditures and Changes in Fund  
Balance - Budget and Actual  
Capital Projects Fund  
Year Ended December 31, 2020  
(See Independent Auditor's Report)

	Original and Final Budget	Actual
	<u>                    </u>	<u>                    </u>
Expenditures:		
Capital outlay	\$ 20,000,000	\$ 51,000
District management	25,000	-
Engineering	25,000	-
Legal	25,000	-
Special counsel/special projects	45,000	-
Total expenditures	<u>20,120,000</u>	<u>51,000</u>
Excess (deficiency) of revenues over expenditures	(20,120,000)	(51,000)
Other financing sources (uses):		
Bond proceeds	16,000,000	-
Bond issuance costs	(500,000)	-
Transfer from other fund	5,950,000	51,000
Transfer to other fund	<u>(1,330,000)</u>	<u>-</u>
Total other financing sources	<u>20,120,000</u>	<u>51,000</u>
Net change in fund balance	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>

(See Notes to Basic Financial Statements)