

The Shores on Plum Creek Metropolitan District No. 8

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. 8
Weld County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of The Shores on Plumb Creek Metropolitan District No. 8 (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 the major fund The Shores on Plumb Creek Metropolitan District No. 8 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.

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
Lakewood, Colorado

September 29, 2021

The Shores on Plum Creek Metropolitan District No. 8

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

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Property taxes receivable	\$ 1,444,746	\$ -	\$ 1,444,746
Due from county	<u>7,452</u>	<u>-</u>	<u>7,452</u>
Total assets	<u>\$ 1,452,198</u>	<u>-</u>	<u>1,452,198</u>
Liabilities:			
Due to TSPCMD 1	<u>\$ 7,452</u>	<u>-</u>	<u>7,452</u>
Total liabilities	<u>7,452</u>	<u>-</u>	<u>7,452</u>
Deferred inflows of resources:			
Property tax revenue	<u>1,444,746</u>	<u>-</u>	<u>1,444,746</u>
Total deferred inflow of resources	<u>1,444,746</u>	<u>-</u>	<u>1,444,746</u>
Fund balances:			
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,452,198</u>		
Net position:			
Unrestricted		<u>-</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ -</u>

(See notes to Basic Financial Statements)

The Shores on Plum Creek Metropolitan District No. 8

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

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures:			
Treasurer's fees	\$ 30,759	\$ -	\$ 30,759
Total expenditures	<u>30,759</u>	<u>-</u>	<u>30,759</u>
General revenues:			
Property taxes	2,046,996	-	2,046,996
Specific ownership tax	97,119	-	97,119
Interest and other income	<u>3,597</u>	<u>-</u>	<u>3,597</u>
Total general revenues	<u>2,147,712</u>	<u>-</u>	<u>2,147,712</u>
Excess of revenue over expenditures	2,116,953	-	2,116,953
Other financing sources (uses)			
Transfer TSPCMD 1	<u>(2,116,953)</u>	<u>-</u>	<u>(2,116,953)</u>
Total other financing sources (uses)	<u>(2,116,953)</u>	<u>-</u>	<u>(2,116,953)</u>
Net changes in fund balance	-	-	
Change in net position	-	-	-
Fund balance/net position - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance/net position - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See notes to Basic Financial Statements)

The Shores on Plum Creek Metropolitan District No. 8

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

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable</u>
Revenues:			
Property taxes	\$ 2,046,097	\$ 2,046,996	\$ 899
Specific ownership tax	122,766	97,119	(25,647)
Interest and other income	<u>100,000</u>	<u>3,597</u>	<u>(96,403)</u>
Total revenues	<u>2,268,863</u>	<u>2,147,712</u>	<u>(121,151)</u>
Expenditures:			
Treasurer's fees	30,691	30,759	(68)
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>130,691</u>	<u>30,759</u>	<u>99,932</u>
Excess of revenues over expenditures	2,138,172	2,116,953	(21,219)
Other financing sources (uses):			
Transfer to TSPCMD 1	<u>(2,138,172)</u>	<u>(2,116,953)</u>	<u>21,219</u>
Total other financing uses	<u>(2,138,172)</u>	<u>(2,116,953)</u>	<u>21,219</u>
Net change in fund balance	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See notes to Basic Financial Statements)

The Shores on Plum Creek Metropolitan District No. 8

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. 8 (the "District"), located in Weld 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 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 Shores on Plum Creek Metropolitan District No. 1 ("District No. 1") 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. District No. 1 works in conjunction with Districts No. 2-10 to finance, construct, operate and maintain the public improvements. The District transferred \$2,116,953 to District No. 1 during 2020 to support operations and capital expenditures of District No. 1.

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. 8

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 fund balance sheet/statement of net position and the statement of governmental fund revenues, expenditures and changes in fund balance/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 fund 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. 8

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 fund:

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.

Budgets and budgetary accounting

Budgets are adopted on a non-GAAP basis for the governmental fund. 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.

Assets, Liabilities and Net Position

Fair value of financial instruments

The District's financial instruments includes accounts receivable. 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.

The Shores on Plum Creek Metropolitan District No. 8

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

1. Summary of Significant Accounting Policies (continued)

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.

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.

The Shores on Plum Creek Metropolitan District No. 8

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

1. Summary of Significant Accounting Policies (continued)

Fund balances (continued)

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.

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.

The Shores on Plum Creek Metropolitan District No. 8

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

3. Cash and Investments

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 had no deposits outstanding as of December 31, 2020.

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.

The District had no investments outstanding as of December 31, 2020.

The Shores on Plum Creek Metropolitan District No. 8

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

4. 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.

5. Agreements

Funding and Reimbursement Agreement (Operations and Maintenance Costs)

On May 30, 2019, the District along with District Nos. 1-7 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.

6. 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 Shores on Plum Creek Metropolitan District No. 1 pays annual premiums on behalf of the District 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. 8

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

7. 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's Tabor reserves are held by District No. 1.

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.