

The Commons at East Creek Metropolitan District

Financial Statements

From the Date of Inception, February 3, 2020, through
December 31, 2020, also referred to as “Period”

with

Independent Auditor’s Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Capital Projects Fund	17
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	18
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	19

Independent Auditor's Report

Board of Directors
The Commons at East Creek Metropolitan District
Arapahoe County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Commons at East Creek Metropolitan District (the "District") as of and for the period 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 Commons at East Creek Metropolitan District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the period 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.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

April 27, 2022

The Commons at East Creek Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ -	\$ 75,212	\$ 211,932	\$ 287,144	\$ -	\$ 287,144
Property taxes receivable	19,579	-	35,029	54,608	-	54,608
Accounts receivable - other	-	4,198	-	4,198	-	4,198
Developer receivable	6,259	-	-	6,259	(6,259)	-
Capital assets, net of depreciation	-	-	-	-	1,817,399	1,817,399
Total Assets	<u>\$ 25,838</u>	<u>\$ 79,410</u>	<u>\$ 246,961</u>	<u>\$ 352,209</u>	<u>1,811,140</u>	<u>2,163,349</u>
LIABILITIES						
Accounts payable	\$ 6,259	\$ 74,596	\$ -	\$ 80,855	-	80,855
Accrued interest on bonds	-	-	-	-	6,229	6,229
Long-term liabilities						
Due in more than one year	-	-	-	-	2,246,195	2,246,195
Total Liabilities	<u>6,259</u>	<u>74,596</u>	<u>-</u>	<u>80,855</u>	<u>2,252,424</u>	<u>2,333,279</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>19,579</u>	<u>-</u>	<u>35,029</u>	<u>54,608</u>	<u>-</u>	<u>54,608</u>
Total Deferred Inflows of Resources	<u>19,579</u>	<u>-</u>	<u>35,029</u>	<u>54,608</u>	<u>-</u>	<u>54,608</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted						
Emergencies	3,628	-	-	3,628	(3,628)	-
Capital projects	-	4,814	-	4,814	(4,814)	-
Debt Service	-	-	211,932	211,932	(211,932)	-
Unassigned	<u>(3,628)</u>	<u>-</u>	<u>-</u>	<u>(3,628)</u>	<u>3,628</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>4,814</u>	<u>211,932</u>	<u>216,746</u>	<u>(216,746)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,838</u>	<u>\$ 79,410</u>	<u>\$ 246,961</u>	<u>\$ 352,209</u>		
Net Position:						
Restricted for:						
Emergencies					3,628	3,628
Debt service					205,703	205,703
Capital projects					4,814	4,814
Unrestricted					<u>(438,683)</u>	<u>(438,683)</u>
Total Net Position					<u>\$ (224,538)</u>	<u>\$ (224,538)</u>

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

The Commons at East Creek Metropolitan District

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

For the Period Ended December 31, 2020

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting & audit	\$ 836	\$ -	\$ -	\$ 836	\$ -	\$ 836
Management	4,150	-	-	4,150	-	4,150
Legal	1,273	-	-	1,273	-	1,273
Bond interest expense	-	-	6,852	6,852	6,229	13,081
Bond issuance costs	-	185,703	-	185,703	-	185,703
Developer advance principal	-	1,080,556	-	1,080,556	(1,080,556)	-
Developer advance interest	-	5,205	-	5,205	14,352	19,557
Capital improvements	-	1,817,399	-	1,817,399	(1,817,399)	-
Total Expenditures	<u>6,259</u>	<u>3,088,863</u>	<u>6,852</u>	<u>3,101,974</u>	<u>(2,877,374)</u>	<u>224,600</u>
GENERAL REVENUES						
Interest and other income	-	17	45	62	-	62
Total General Revenues	<u>-</u>	<u>17</u>	<u>45</u>	<u>62</u>	<u>-</u>	<u>62</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(6,259)	(3,088,846)	(6,807)	(3,101,912)	2,877,374	(224,538)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	1,495,000	-	1,495,000	(1,495,000)	-
Developer advance	6,259	1,817,399	-	1,823,658	(1,823,658)	-
Transfer from/(to) other funds	-	(218,739)	218,739	-	-	-
Total Other Financing Sources (Uses)	<u>6,259</u>	<u>3,093,660</u>	<u>218,739</u>	<u>3,318,658</u>	<u>(3,318,658)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	-	4,814	211,932	216,746	(216,746)	
CHANGE IN NET POSITION						
					(224,538)	(224,538)
FUND BALANCE/NET ASSETS						
BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF PERIOD	<u>\$ -</u>	<u>\$ 4,814</u>	<u>\$ 211,932</u>	<u>\$ 216,746</u>	<u>\$ (441,284)</u>	<u>\$ (224,538)</u>

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

The Commons at East Creek Metropolitan District

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

For the Period Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest and other income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Accounting & audit	9,000	836	8,164
Management	15,000	4,150	10,850
Election expense	1,000	-	1,000
Insurance	3,500	-	3,500
Legal	15,000	1,273	13,727
Miscellaneous expenses	3,000	-	3,000
Contingency	2,000	-	2,000
Emergency Reserve	1,500	-	1,500
Total Expenditures	50,000	6,259	43,741
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	(6,259)	43,741
OTHER FINANCING SOURCES (USES)			
Developer advance	50,000	6,259	(43,741)
Total Other Financing Sources (Uses)	50,000	6,259	(43,741)
NET CHANGES IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING OF PERIOD	-	-	-
FUND BALANCE - END OF PERIOD	\$ -	\$ -	\$ -

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

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of The Commons at East Creek Metropolitan District (the “District”), located in the City of Aurora (“City”) in 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 February 3, 2020, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act to manage the financing, construction, and operation and maintenance of the facilities located within the District and derives its revenue principally from bond proceeds.

The District and City entered into an Intergovernmental Agreement as required by the Aurora City Code and the District’s Service Plan. Under this agreement, the District must obtain the approval of the Aurora City Council prior to: (i) any inclusion of property outside of the Service Area, as defined in the Service Plan, or (ii) any consolidation with any other special districts.

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, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides 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 has no employees and all operations and administrative functions are contracted.

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

The Commons at East Creek Metropolitan District

Notes to Financial Statements December 31, 2020

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 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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

During the year, the District amended its budget in the Capital Projects Fund from \$0 to \$3,817,399 due to issuance of bonds (see note 4) and in the Debt Service Fund from \$0 to \$11,644 due to the payment of bond related fees.

Assets, Liabilities, Deferred Outflows/Inflows of Resources 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 short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

The Commons at East Creek Metropolitan District

Notes to Financial Statements December 31, 2020

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

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items to report under this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 acquisition 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 fixed 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. No depreciation expense was recognized during 2020.

The Commons at East Creek Metropolitan District

Notes to Financial Statements December 31, 2020

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.

Long-Term Obligations

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

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$3,628 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 \$211,932 is restricted for the payment of the debt service costs associated with the General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Series 2020A (see Note 4).

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

The restricted fund balance in the Capital Projects Fund in the amount of \$4,814 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, and all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can 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. The District has no amount to report in this category.

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.

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash - Restricted	\$ <u>287,144</u>
Total	\$ <u>287,144</u>

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

Investments – COLOTRUST	\$ <u>287,144</u>
Total	\$ <u>287,144</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits.

Investments

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 investing 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 Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Investment Valuation

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

As of December 31, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$287,144 invested in COLOTRUST.

Note 3: Capital Assets

An analysis for the changes in capital assets for the year ended December 31, 2020, follows:

<u>Governmental Type Activities:</u>	<u>Balance 2/3/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2020</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 1,817,399	\$ -	\$ 1,817,399
Total capital assets not being depreciated:	-	1,817,399	-	1,817,399
Government type assets, net	<u>\$ -</u>	<u>\$ 1,817,399</u>	<u>\$ -</u>	<u>\$ 1,817,399</u>

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Series 2020A₍₃₎

On October 28, 2020, the District issued \$1,495,000 as General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Series 2020A₍₃₎ (“Bonds”) for the purposes of (a) financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure; (b) funding the Reserve Fund to the Required Reserve; (c) funding a portion of the interest to accrued on the Bonds; and (d) funding the costs of issuing the Bonds. Interest on the Bonds accrues at 5.00% and payments are payable semiannually on each June 1 and December 1, commencing December 1, 2020 through maturity on December 1, 2050. The Bonds are subject to mandatory sinking fund redemption prior to the maturity date, in part, upon payment of par and accrued interest, without redemption premium, beginning December 1, 2028. The Bonds will convert to unlimited tax exempt bonds on the Conversion Date as defined the in the limited offering memorandum.

The Bonds are secured by and payable solely from moneys derived from: (a) the Required Mill Levy; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. The Bonds will also be secured by amounts on deposit in the Reserve Fund and, prior to the Conversion Date, by moneys accumulated in the Surplus Fund, if any.

Optional redemption

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, in any order of maturity and in whole or partial maturities, December 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2025, to November 30, 2026	3.00%
December 1, 2026, to November 30, 2027	2.00%
December 1, 2027, to November 30, 2028	1.00%
December 1, 2028, and thereafter	0.00%

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements for the Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 74,750	\$ 74,750
2022	-	74,750	74,750
2023	-	74,750	74,750
2024	-	74,750	74,750
2025	-	74,750	74,750
2026-2030	30,000	372,750	402,750
2031-2035	110,000	357,000	467,000
2036-2040	230,000	318,750	548,750
2041-2045	380,000	247,000	627,000
2046-2050	<u>745,000</u>	<u>130,250</u>	<u>875,250</u>
	<u>\$ 1,495,000</u>	<u>\$ 1,799,500</u>	<u>\$ 3,294,500</u>

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	<u>Balance</u> <u>2/3/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Current</u> <u>Portion</u>
General Obligation Bonds					
Series 2020A ₍₃₎ Bonds	\$ -	\$ 1,495,000	\$ -	\$ 1,495,000	\$ -
Total General Obligation Bonds	<u>-</u>	<u>1,495,000</u>	<u>-</u>	<u>1,495,000</u>	<u>-</u>
Other - Developer Advances					
Developer Advance					
Principal - Capital	-	1,817,399	1,080,556	736,843	-
Developer Advance					
Interest - Capital	-	19,557	5,205	14,352	-
Total Other - Developer Advances	<u>-</u>	<u>1,836,956</u>	<u>1,085,761</u>	<u>751,195</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 3,331,956</u>	<u>\$ 1,085,761</u>	<u>\$ 2,246,195</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2020, the District has \$128,505,000 remaining voted debt authorized and unissued. The District has not budgeted to issue any new debt during 2021.

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 5: Related Party

Some members of the Board of Directors are owners, officers, employees, or 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 (See Note 8).

Note 6: 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 7: 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.

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 8: Other Agreements

Operation Funding Agreement

Effective February 3, 2020, the District entered into an Operation Funding Agreement with Meritage Home of Colorado Inc. (“Developer”) for the purpose of paying the operating expenses of the District until December 31, 2020 as amended on October 26, 2020, to extend the term for funding through fiscal year 2021. The District agreed to reimburse such advances, together with interest thereon at a rate equal to 8%, subject to annual appropriation and budget approval, from legally available funds within any fiscal year and not otherwise required for operations, capital improvement, and debt service costs and expenses of the District.

As of December 31, 2020, no amount has been received from, or is due to, the Developer under this agreement.

Facilities Funding and Acquisition Agreement

Effective February 3, 2020, the District entered into a Facilities Funding and Acquisition Agreement with the Developer providing the Developer may (a) construct Public Improvements within the District on behalf of the District, subject to future acquisition and reimbursement by the District, or (b) maybe provide advances up to the amount of the certified construction related expenses to the District so that the District is able to construct Public Improvements. The District agreed to reimburse such advances, together with 8% interest, to repay such costs. In the event that the District is unable to reimburse the Developer for any such advance of the Public Improvements by December 31, 2060, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full, unless terminated earlier by mutual written agreement of both parties.

As of December 31, 2020, the amount of principal and interest due to the Developer under this agreement is \$736,843 and \$14,352, respectively.

The Commons at East Creek Metropolitan District

Notes to Financial Statements
December 31, 2020

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) capital improvements used in governmental activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may 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;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; 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.

SUPPLEMENTAL INFORMATION

The Commons at East Creek Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Period Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest and other income	-	\$ -	\$ 17	\$ 17
Total Revenues	<u>-</u>	<u>-</u>	<u>17</u>	<u>17</u>
EXPENDITURES				
Capital improvements	-	1,817,399	1,817,399	-
Developer advance principal	-	1,501,465	1,080,556	420,909
Developer advance interest	-	-	5,205	(5,205)
Bond issuance costs	-	280,000	185,703	94,297
Total Expenditures	<u>-</u>	<u>3,598,864</u>	<u>3,088,863</u>	<u>510,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	(3,598,864)	(3,088,846)	(510,018)
OTHER FINANCING SOURCES (USES)				
Developer advance	-	1,817,399	1,817,399	-
Bond proceeds	-	2,000,000	1,495,000	(505,000)
Transfer (to) other funds	-	(218,535)	(218,739)	(204)
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,598,864</u>	<u>3,093,660</u>	<u>505,204</u>
NET CHANGES IN FUND BALANCES	-	-	4,814	4,814
FUND BALANCE - BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF PERIOD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,814</u>	<u>\$ 4,814</u>

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

The Commons at East Creek Metropolitan District

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

For the Period Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest and other income	\$ -	\$ -	\$ 45	\$ 45
Total Revenues	<u>-</u>	<u>-</u>	<u>45</u>	<u>45</u>
EXPENDITURES				
Bond interest expense	-	6,644	6,852	(208)
Trustee fees	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Expenditures	<u>-</u>	<u>11,644</u>	<u>6,852</u>	<u>4,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(11,644)	(6,807)	4,837
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	<u>-</u>	<u>218,535</u>	<u>218,739</u>	<u>204</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>218,535</u>	<u>218,739</u>	<u>204</u>
CHANGE IN FUND BALANCE	-	206,891	211,932	5,041
FUND BALANCE - BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF PERIOD	<u>\$ -</u>	<u>\$ 206,891</u>	<u>\$ 211,932</u>	<u>\$ 5,041</u>

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

The Commons at East Creek Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2020

(Unaudited)

Period Ended <u>December</u> <u>31,</u>	Prior Year Assessed Valuation for Current Year Property <u>Tax Levy</u>	Mills Levied			<u>Total Property Tax</u>		Percent Collected <u>to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Contract</u>	<u>Levied</u>	<u>Collected</u>	
2020	\$ -	0.000	0.000	0.000	\$ -	\$ -	0.00%
Estimated for year ending December 31, 2021	629,295	30.000	55.664	1.113	54,608		

NOTE

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