

BERKLEY SHORES METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

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Board of Directors
Berkley Shores Metropolitan District
Adams County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Berkley Shores Metropolitan 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Berkley Shores 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 year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

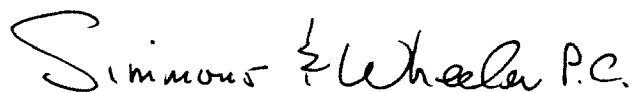
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berkley Shores Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

 Simmons & Wheeler P.C.

Englewood, CO
September 30, 2021

BERKLEY SHORES METROPOLITAN DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash	\$ 679	\$ -	\$ -	\$ 679	\$ -	\$ 679
Cash - restricted	-	521,751	1,038,151	1,559,902	-	1,559,902
Developer Advance Receivable	2,168	-	-	2,168	(2,168)	-
Property taxes receivable	4,900	6,859	-	11,759	-	11,759
Prepaid expenses	2,775	-	-	2,775	-	2,775
Capital assets not being depreciated	-	-	-	-	493,879	493,879
Total Assets	<u>\$ 10,522</u>	<u>\$ 528,610</u>	<u>\$1,038,151</u>	<u>\$ 1,577,283</u>	<u>491,711</u>	<u>2,068,994</u>
LIABILITIES						
Accounts payable	\$ 5,622	\$ -	\$ 7,078	\$ 12,700	-	12,700
Accrued interest on bonds	-	-	-	-	10,115	10,115
Long-term liabilities:						
Due in more than one year	-	-	-	-	2,336,591	2,336,591
Total Liabilities	<u>5,622</u>	<u>-</u>	<u>7,078</u>	<u>12,700</u>	<u>2,346,706</u>	<u>2,359,406</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>4,900</u>	<u>6,859</u>	<u>-</u>	<u>11,759</u>	<u>-</u>	<u>11,759</u>
Total Deferred Inflows of Resources	<u>4,900</u>	<u>6,859</u>	<u>-</u>	<u>11,759</u>	<u>-</u>	<u>11,759</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	2,775	-	-	2,775	(2,775)	-
Restricted:						
Emergencies	5,406	-	-	5,406	(5,406)	-
Debt service	-	521,751	-	521,751	(521,751)	-
Capital projects	-	-	1,031,073	1,031,073	(1,031,073)	-
Unassigned	<u>(8,181)</u>	<u>-</u>	<u>-</u>	<u>(8,181)</u>	<u>8,181</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>521,751</u>	<u>1,031,073</u>	<u>1,552,824</u>	<u>(1,552,824)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of of Resource and Fund Balances	<u>\$ 10,522</u>	<u>\$ 528,610</u>	<u>\$1,038,151</u>	<u>\$ 1,577,283</u>		
Net Position:						
Restricted for:						
Emergencies					5,406	5,406
Debt service					511,636	511,636
Capital projects					1,031,073	1,031,073
Unrestricted					<u>(1,850,286)</u>	<u>(1,850,286)</u>
Total Net Position					<u>\$ (302,171)</u>	<u>\$ (302,171)</u>

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

BERKLEY SHORES METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
General expenses:						
Accounting	\$ 2,825	\$ -	\$ 4,231	\$ 7,056	\$ -	\$ 7,056
Audit	42	-	-	42	-	42
Insurance	84	-	-	84	-	84
Legal	6,842	-	10,262	17,104	-	17,104
Management fees	2,215	-	3,077	5,292	-	5,292
Miscellaneous expenses	969	-	-	969	-	969
Property management	570	-	-	570	-	570
Capital outlay:						
Engineering	-	-	2,625	2,625	-	2,625
Capital outlay	-	-	493,879	493,879	(493,879)	-
Repayment of developer advances	-	-	493,879	493,879	(493,879)	-
Debt service:						
Bond interest expense	-	29,671	-	29,671	10,115	39,786
Paying agent/trustee fees	-	6,092	-	6,092	-	6,092
Bond issuance costs	-	223,476	-	223,476	-	223,476
Developer advance interest	-	-	-	-	95	95
Total Expenditures	<u>13,547</u>	<u>259,239</u>	<u>1,007,953</u>	<u>1,280,739</u>	<u>(977,548)</u>	<u>303,191</u>
GENERAL REVENUES						
Interest income	<u>-</u>	<u>1,020</u>	<u>-</u>	<u>1,020</u>	<u>-</u>	<u>1,020</u>
Total General Revenues	<u>-</u>	<u>1,020</u>	<u>-</u>	<u>1,020</u>	<u>-</u>	<u>1,020</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(13,547)	(258,219)	(1,007,953)	(1,279,719)	977,548	(302,171)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	2,312,000	-	2,312,000	(2,312,000)	-
Developer advances	13,547	-	506,996	520,543	(520,543)	-
Transfers in (out)	<u>-</u>	<u>(1,532,030)</u>	<u>1,532,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>13,547</u>	<u>779,970</u>	<u>2,039,026</u>	<u>2,832,543</u>	<u>(2,832,543)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	521,751	1,031,073	1,552,824	(1,552,824)	
CHANGE IN NET POSITION					(302,171)	(302,171)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 521,751</u>	<u>\$ 1,031,073</u>	<u>\$ 1,552,824</u>	<u>\$ (1,854,995)</u>	<u>\$ (302,171)</u>

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

BERKLEY SHORES METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest Income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Accounting	8,000	8,000	2,825	5,175
Audit	1,000	1,000	42	958
Election	1,000	1,000	-	1,000
Insurance	3,500	3,500	84	3,416
Legal	15,000	15,000	6,842	8,158
Management fees	15,000	15,000	2,215	12,785
Miscellaneous expenses	3,000	3,000	969	2,031
Property management	-	-	570	(570)
Bike Share Agreement(s)	-	-	-	-
Treasurer's fees	-	-	-	-
Contingency	2,000	2,000	-	2,000
Emergency reserve	1,500	1,500	-	1,500
Total Expenditures	50,000	50,000	13,547	36,453
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	(50,000)	(13,547)	36,453
OTHER FINANCING SOURCES (USES)				
Developer advances	50,000	50,000	13,547	(36,453)
Total Other Financing Sources (Uses)	50,000	50,000	13,547	(36,453)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ -	\$ -

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

BERKLEY SHORES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Berkley Shores Metropolitan District (“the District”), located in Adams 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 District was organized on January 27, 2020, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows 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 is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

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

BERKLEY SHORES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

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

BERKLEY SHORES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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

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.

On August 11, 2020, the District amended its total appropriations in the Debt Service Fund from \$0 to \$3,000,000 and in the Capital Projects Fund from \$0 to \$3,000,000 primarily due to the issuance of the Series 2020A(3) Bonds. (See Note 4)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 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 cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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

BERKLEY SHORES METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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. As of December 31, 2020, The District has no items that qualify for reporting in this category.

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

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.

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 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.

BERKLEY SHORES 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.

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.

The nonspendable fund balance in the General Fund in the amount of \$2,775 represents prepaid expenditures.

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 5,406 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 \$521,751 is restricted for the payment of the costs associated with the Series 2020A(3) Bonds. (See Note 4)

BERKLEY SHORES METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2020

The restricted fund balance in the Capital Projects Fund in the amount of \$1,031,073 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, all other funds can report negative amounts.

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

Net Position

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

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

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

BERKLEY SHORES METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2020

Note 2: Cash

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

Statement of net position:

Cash	\$ 679
Cash - Restricted	<u>1,559,902</u>
Total	<u>\$ 1,560,581</u>

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

Deposits with financial institutions	\$ 679
Investments - COLOTRUST	<u>1,559,902</u>
	<u>\$ 1,560,581</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 has a formal policy for deposits in accordance with state statutes. As of December 31, 2020, none of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

The District categorizes its fair value measurements 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 (NAV) per share.

BERKLEY SHORES METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2020

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

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 Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust 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 the trusts. Substantially all securities owned by the trusts 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 \$1,559,902 invested in COLOTRUST.

Note 3: Capital Assets

	Balance			Balance
Governmental Type Activities:	01-01-20	Additions	Deletions	12-31-20
<u>Capital assets not being depreciated:</u>				
Construction in Progress	\$ -	\$ 493,879	\$ -	\$ 493,879
Total capital assets not being depreciated	<u>-</u>	<u>493,879</u>	<u>-</u>	<u>493,879</u>
Government type assets	<u>\$ -</u>	<u>\$ 493,879</u>	<u>\$ -</u>	<u>\$ 493,879</u>

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Upon completion and acceptance, all fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

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

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020	Current Portion
<u>General Obligation Bonds</u>					
Limited Tax (Convertible to Unlimited Tax)					
General Obligation Bonds Series 2020A(3)	\$ -	\$ 2,312,000	\$ -	\$ 2,312,000	\$ -
Total	-	2,312,000	-	2,312,000	-
<u>Other</u>					
Developer Advance - Operating	-	11,379	-	11,379	-
Developer accrued interest - Operating	-	47	-	47	-
Developer Advance - Capital	-	506,996	(493,879)	13,117	-
Developer accrued interest - Capital	-	48	-	48	-
Total	-	518,470	(493,879)	24,591	-
	<u>\$ -</u>	<u>\$ 2,830,470</u>	<u>\$ (493,879)</u>	<u>\$ 2,336,591</u>	<u>\$ -</u>

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

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

On September 3, 2020, the District issued its \$2,312,000 of Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A(3) (the "Series 2020A(3) Bonds") for the purpose of funding the costs of public improvements for the District, funding the initial interest to accrue on the Series 2020A(3) Bonds, fully funding the Reserve Fund securing the bonds and paying the cost of issuing the Series 2020A(3) Bonds. The Series 2020A(3) Bonds mature on December 1, 2050 and carry a coupon rate of 5.25% per annum, payable June 1st and December 1st commencing on December 1, 2021.

The Series 2020A(3) Bonds are subject to a mandatory sinking fund redemption, on December 1 of each year, commencing on December 1, 2026. The Series 2020A(3) 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, on December 1, 2025 and on any date thereafter upon payment of par, accrued interest and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

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3% of the amount redeemed prior to December 1, 2026
2% of the amount redeemed prior to December 1, 2027
1% of the amount redeemed prior to December 1, 2028
Redemptions on and after December 1, 2028 are at par

The Series 2020A(3) Bonds are secured by the Required Mill Levy, the Capital Fees, if any, the portion of the Specific Ownership Tax which is collected as a result of the Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2020A(3) Bonds are also secured by a Reserve Fund in the amount of \$218,030 and a Surplus Fund of up to \$231,200. The Surplus Fund can be released when the ratio of all the outstanding Series 2020A(3) Bonds to assessed valuation is 50% or less, the Reserve Fund is full and no amount of scheduled principal and interest on the Series 2020A(3) Bonds is unpaid. As of December 31, 2020, the Reserve Fund was funded in the amount of \$218,140 and the Surplus Fund did not have any funds.

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2020A(3) Bonds.

	Principal	Interest	Total
2021	\$ -	\$ 121,380	\$ 121,380
2022	-	121,380	121,380
2023	-	121,380	121,380
2024	-	121,380	121,380
2025	-	121,380	121,380
2026-2030	43,000	604,592	647,592
2031-2035	164,000	581,436	745,436
2036-2040	347,000	520,538	867,538
2041-2045	593,000	405,250	998,250
2046-2050	<u>1,165,000</u>	<u>214,986</u>	<u>1,379,986</u>
	<u>\$2,312,000</u>	<u>\$2,933,702</u>	<u>\$5,245,702</u>

Operation Funding Agreements

On February 24, 2020, the District and the HDC 6300 Lowell Boulevard, LLLP (the "Developer") entered into an Operation Funding Agreement for the purpose of funding the District's operations, maintenance and administrative expenses. Pursuant to the Operation Funding Agreement, the Developer agreed to advance funds necessary to fund, or directly pay, the District's operations, maintenance and administrative expenses for fiscal year 2020 on a periodic basis as needed, up to a stated shortfall amount of \$50,000. The District agrees to repay the amounts advanced, to the extent it has funds available from the imposition of its

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taxes, fees, rates, tolls, penalties and charges, and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations, maintenance and administrative expenses, which repayment is subject to annual budget and appropriation. Simple interest shall accrue on each Developer Advance from the date of deposit into the District's account of from the date of direct payment by the Developer, until paid, at the rate of 8% per annum. The Operation Funding Agreement shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the District in its absolute discretion. Payment to reimburse the Developer shall be made on December 2 of each year and shall be applied first to accrued and unpaid interest and then to the principal amount due. The term of the Operation Funding Agreement shall expire on December 31, 2020. Any obligation of the Developer to advance funds will expire upon advance to the District of amounts sufficient to pay expenses incurred in 2020, not to exceed the Shortfall Amount. Any obligation of the District to reimburse the Developer shall expire on December 31, 2060. As of December 31, 2020, the principal amount of the reimbursement obligation under the Operation Funding Agreement was \$11,379 along with accrued interest in the amount of \$47.

Facilities Funding and Acquisition Agreement

On February 24, 2020, the District and the Developer entered into a Facilities Funding and Acquisition Agreement (the "FFA") with an effective date of February 4, 2020, which set forth the rights, obligations and procedures for the funding and acquisition of the certain public improvements and for the District to reimburse the Developer for such costs. In this FFA the District acknowledges that the Developer has expended funds for the District's organizational expenses and the District is authorized to reimburse the Developer for such Organization Expenses subject to requirements in the FFA. Per the FFA, the Developer may also design, construct and complete certain improvements, in which case the District will acquire such Improvements in accordance with the FFA. In the event that the District proceeds with the design, construction and completion of any Improvements, the District shall request funding from the Developer, along with the construction related expenses up to the Shortfall Amount of \$2,500,000. The Developer shall advance funds necessary to fund the construction related expenses incurred by the District on a periodic basis as needed for fiscal years 2020 through 2025, up to the Shortfall Amount. The District agreed to reimburse the Developer for all Developer Advances and/or Verified Costs. Simple interest shall accrue on Organization Expenses and Construction Related Expenses at the rate of 8% per annum until paid. Payments by the District to the Developer shall credit first against accrued and unpaid interest and then to the principal amount due. No payment shall be required of the District unless and until the District issues bonds in an amount sufficient to reimburse the Developer for all or a portion of the Organization Expenses, Developer Advances and/or Verified Costs. The FFA shall not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to

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annual appropriation by the District in its absolute discretion. In the event the District has not paid or reimbursed the Developer for any Organization Expense, Construction Related Expenses and/or Verified Costs 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. As of December 31, 2020, the principal amount of the reimbursement obligation under the FFA was \$13,117 along with accrued interest in the amount of \$48.

On September 16, 2020, the Board of the District accepted \$493,879 in costs certified by the District's engineer under the FFA and proceeds from the issuance of the 2020A(3) Bonds were used to repay this amount to the Developer under this agreement.

Debt Authorization

As of December 31, 2020, the District had \$80,688,000 of voted but unissued debt for providing public improvements and \$5,988,000 of additional debt capacity under its current Service Plan limit. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. The District has not budgeted to issue any debt during 2021.

Note 5: Related Party

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

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.

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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.

On November 5, 2019, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution

Note 7: Interfund Transfers

The transfer of \$1,532,030 from the Debt Service Fund to the Capital Projects Fund was to transfer proceeds from the Series 2020A(3) Bonds that was for Capital Improvements.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., 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.

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

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

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

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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 those assets are held as construction in process 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;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and
- 4) 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

BERKLEY SHORES METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 1,020	\$ 1,020
Total Revenues	-	-	1,020	1,020
EXPENDITURES				
Bond interest expense	-	-	29,671	(29,671)
Paying agent/trustee fees	-	-	6,092	(6,092)
Bond issuance costs	-	-	223,476	(223,476)
Total Expenditures	-	-	259,239	(259,239)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(258,219)	(258,219)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,000,000	2,312,000	(688,000)
Transfers in (out)	-	(3,000,000)	(1,532,030)	1,467,970
Total Other Financing Sources (Uses)	-	-	779,970	779,970
NET CHANGE IN FUND BALANCE	-	-	521,751	521,751
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ 521,751	\$ 521,751

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

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

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Accounting		-	4,231	(4,231)
Legal		-	10,262	(10,262)
Management fees		-	3,077	(3,077)
Engineering		-	2,625	(2,625)
Capital outlay	-	3,000,000	493,879	2,506,121
Repayment of developer advances	-	-	493,879	(493,879)
Total Expenditures	-	3,000,000	1,007,953	1,992,047
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(3,000,000)	(1,007,953)	1,992,047
OTHER FINANCING SOURCES (USES)				
Developer advances	-	-	506,996	506,996
Transfers in (out)	-	3,000,000	1,532,030	(1,467,970)
Total Other Financing Sources (Uses)	-	3,000,000	2,039,026	(960,974)
NET CHANGE IN FUND BALANCE	-	-	1,031,073	1,031,073
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ 1,031,073	\$ 1,031,073

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