

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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Board of Directors
Eagle Shadow Metropolitan District No. 1
Adams County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Eagle Shadow Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Eagle Shadow Metropolitan District No. 1 as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Other Matters

Required Supplemental Information

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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 basic 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 basic financial statements. The 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, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

July 25, 2022

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 656,185	\$ -	\$ -	\$ 656,185	\$ -	\$ 656,185
Cash and investments - restricted	5,862	721,684	28,131	755,677	-	755,677
Receivable County Treasurer	183	4,758	-	4,941	-	4,941
Property taxes receivable	1,436,198	1,332,524	-	2,768,722	-	2,768,722
Capital assets	-	-	-	-	10,007,345	10,007,345
Total Assets	<u>2,098,428</u>	<u>2,058,966</u>	<u>28,131</u>	<u>4,185,525</u>	<u>10,007,345</u>	<u>14,192,870</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	812,633	812,633
Total Deferred Outflows of Resources	-	-	-	-	<u>812,633</u>	<u>812,633</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,098,428</u>	<u>\$ 2,058,966</u>	<u>\$ 28,131</u>	<u>\$ 4,185,525</u>		
LIABILITIES						
Accounts payable	\$ 25,911	\$ -	\$ -	\$ 25,911	-	25,911
Accrued interest on bonds	-	-	-	-	43,652	43,652
Long-term liabilities						
Due within one year	-	-	-	-	415,000	415,000
Due in more than one year	-	-	-	-	7,382,839	7,382,839
Total Liabilities	<u>25,911</u>	<u>-</u>	<u>-</u>	<u>25,911</u>	<u>7,841,491</u>	<u>7,867,402</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>1,436,198</u>	<u>1,332,524</u>	<u>-</u>	<u>2,768,722</u>	<u>-</u>	<u>2,768,722</u>
Total Deferred Inflows of Resources	<u>1,436,198</u>	<u>1,332,524</u>	<u>-</u>	<u>2,768,722</u>	<u>-</u>	<u>2,768,722</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted						
Emergencies	5,862	-	-	5,862	(5,862)	-
Debt Service	-	726,442	-	726,442	(726,442)	-
Capital projects	-	-	28,131	28,131	(28,131)	-
Unassigned	<u>630,457</u>	<u>-</u>	<u>-</u>	<u>630,457</u>	<u>(630,457)</u>	<u>-</u>
Total Fund Balances	<u>636,319</u>	<u>726,442</u>	<u>28,131</u>	<u>1,390,892</u>	<u>(1,390,892)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,098,428</u>	<u>\$ 2,058,966</u>	<u>\$ 28,131</u>	<u>\$ 4,185,525</u>		
Net Position:						
Net Investment in Capital Assets					2,237,637	2,237,637
Restricted for:						
Emergencies					5,862	5,862
Debt service					682,790	682,790
Capital projects					28,131	28,131
Unrestricted					<u>1,414,959</u>	<u>1,414,959</u>
Total Net Position					<u>\$ 4,369,379</u>	<u>\$ 4,369,379</u>

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting	\$ 10,120	\$ -	\$ -	\$ 10,120	\$ -	\$ 10,120
Audit	4,000	-	-	4,000	-	4,000
Directors fees and payroll taxes	4,852	-	-	4,852	-	4,852
Insurance	4,344	-	-	4,344	-	4,344
Legal	21,338	-	-	21,338	-	21,338
General engineering	72,027	-	-	72,027	-	72,027
Miscellaneous expenses	35	-	-	35	-	35
Repairs and maintenance	65,107	-	-	65,107	-	65,107
Treasurer's fees	2,441	15,164	-	17,605	-	17,605
Bond principal	-	400,000	-	400,000	(400,000)	-
Bond interest expense	-	365,213	-	365,213	48,046	413,259
Paying agent fees	-	660	-	660	-	660
Total Expenditures	<u>184,264</u>	<u>781,037</u>	<u>-</u>	<u>965,301</u>	<u>(351,954)</u>	<u>613,347</u>
GENERAL REVENUES						
Property taxes	162,626	1,010,120	-	1,172,746	-	1,172,746
Specific ownership taxes	621	64,869	-	65,490	-	65,490
Interest and other income	271	1,464	-	1,735	-	1,735
Total General Revenues	<u>163,518</u>	<u>1,076,453</u>	<u>-</u>	<u>1,239,971</u>	<u>-</u>	<u>1,239,971</u>
NET CHANGES IN FUND BALANCES	(20,746)	295,416	-	274,670	(274,670)	
CHANGE IN NET POSITION					626,624	626,624
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<u>657,065</u>	<u>431,026</u>	<u>28,131</u>	<u>1,116,222</u>	<u>2,626,533</u>	<u>3,742,755</u>
END OF YEAR	<u>\$ 636,319</u>	<u>\$ 726,442</u>	<u>\$ 28,131</u>	<u>\$ 1,390,892</u>	<u>\$ 2,978,487</u>	<u>\$ 4,369,379</u>

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 162,912	\$ 162,626	\$ (286)
Specific ownership taxes	-	621	621
Development fees	20,000	-	(20,000)
Interest income	<u>80</u>	<u>271</u>	<u>191</u>
Total Revenues	<u>182,992</u>	<u>163,518</u>	<u>(19,474)</u>
EXPENDITURES			
Accounting	34,000	10,120	23,880
Audit	4,000	4,000	-
Directors fees and payroll taxes	6,600	4,852	1,748
Insurance	8,000	4,344	3,656
Legal	61,090	21,338	39,752
General engineering	35,000	72,027	(37,027)
Miscellaneous expenses	3,000	35	2,965
Repairs and maintenance	-	65,107	(65,107)
Treasurers fees	2,319	2,441	(122)
Contingency	711,301	-	711,301
Emergency reserve	<u>5,593</u>	<u>-</u>	<u>5,593</u>
Total Expenditures	<u>870,903</u>	<u>184,264</u>	<u>686,639</u>
NET CHANGES IN FUND BALANCE	(687,911)	(20,746)	667,165
FUND BALANCE - BEGINNING OF YEAR	<u>687,911</u>	<u>657,065</u>	<u>(30,846)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 636,319</u>	<u>\$ 636,319</u>

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Eagle Shadow Metropolitan District No. 1 (“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 3, 2000, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established for the primary purpose of providing for the acquisition, construction, installation and completion of certain improvements, including streets, park and recreations, safety protection, transportation, mosquito control, and water and sanitation improvements for the inhabitants of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

On June 19, 2018 the Eagle Shadow Metropolitan District Sub-District No. 1 (“Sub-District”) was formed for the purpose of fixing a different rate of levy for property tax purposes against the taxable property within the Sub District according to services, programs and facilities furnished or to be furnished, and to pledge such revenue to finance those services programs and facilities to be furnished. During 2021, the activities of the Sub-District were limited to general operations. Therefore, this activity is included in the General Fund for 2021.

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

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

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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 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 financials 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 net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting 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.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, 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 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.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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 one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

Original Issue Premium and Deferred loss on Refunding

Original issue premium of \$144,279 and deferred loss on refunding of \$1,303,721 from the Series 2013 Bonds are being amortized over the respective terms of the bonds using the interest or straight-line method. Accumulated amortization of original issue premium and deferred loss on refunding amounted to \$76,440 and \$491,088 at December 31, 2021, respectively. During 2021 the District amortized \$58,463 of the deferred loss on refunding.

Capital Assets

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. The District intends to transfer all infrastructure to the County for maintenance, therefore no depreciation has been provided.

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 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.

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.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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 \$5,862 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 \$726,442 is restricted for the payment of the debt service costs related to the General Obligation Refunding Bonds Series 2013 A (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$28,131 is restricted for capital improvements within the District.

Committed Fund Balance

Committed fund balance is 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 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.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

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.

Note 2: Cash and Investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of net positions:	
Cash and investments	\$ 656,185
Cash and investments – restricted	<u>755,677</u>
	\$ <u>1,411,862</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 2,958
Investments – COLOTRUST	<u>1,408,904</u>
	\$ <u>1,411,862</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% the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's 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.

As of December 31, 2021, the District had the following investment:

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 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, 2021, the District had \$1,408,904 invested in COLOTRUST.

Interest Rate Risk

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	<u>Balance</u> 1/1/2021	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2021
<u>Governmental Type Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 8,875,060	\$ -	\$ -	\$ 8,875,060
Trail	1,132,285	-	-	1,132,285
Total capital assets not being depreciated:	<u>10,007,345</u>	<u>-</u>	<u>-</u>	<u>10,007,345</u>
Government type assets, net	<u>\$ 10,007,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,007,345</u>

Upon completion and acceptance, all capital assets will be conveyed by the District to other local governments; therefore no depreciation has been recorded.

Note 4: Long-term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

General Obligation Refunding Bonds Tax-Exempt Series 2013A and General Obligation Refunding Bonds Taxable Series 2013B

On July 30, 2013, the District issued \$9,845,000 of General Obligation Refunding Bonds Tax-exempt Series 2013A (“Series 2013A Bonds”) and \$1,120,000 of General Obligation Refunding Bonds Taxable Series 2013B (“Series 2013B Bonds”) to refund all of the outstanding general obligation bonds of the District to provide for savings, and paying the cost of issuance for the Series 2013A Bonds and Series 2013B Bonds. The Series 2013A Bonds are term bonds and will mature on November 15, 2035. The Series 2013A Bonds bear interest at the rates ranging from 3% to 5%, interest is payable semiannually on each May 15 and November 15, commencing on November 15, 2013 and are subject to a mandatory sinking fund redemption commencing on November 15, 2013. The 2013A Bonds are subject to an early redemption at the option of the District, commencing November 15, 2022, and on any date thereafter, upon payment of principal plus accrued interest without any premium. The Series 2013B Bonds were term bonds and matured on November 15, 2017.

Subsequent to year-end, the District refunded the Series 2013A bonds in full. See note 9.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

Advance refunding of debt

The 2013 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2005A Bonds and the Series 2006 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,303,721. This amount is recorded as a deferred outflow and is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the remaining life of the old debt at the time of the refunding by \$4,006,337 and resulted in an economic gain of \$1,783,949.

The District does not have any unused lines of credit, direct borrowings or direct placements.

The following is an analysis of changes in long-term debt for the year ending December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
General Obligation Refunding Bonds					
Series 2013A	\$ 8,130,000	\$ -	\$ 400,000	\$ 7,730,000	\$ 415,000
Premium on Series 2013A Bonds	<u>76,256</u>	<u>-</u>	<u>8,417</u>	<u>67,839</u>	<u>-</u>
	<u>\$ 8,206,256</u>	<u>\$ -</u>	<u>\$ 408,417</u>	<u>\$ 7,797,839</u>	<u>\$ 415,000</u>

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

	Principal	Interest	Total
2022	\$ 415,000	\$ 349,213	\$ 764,213
2023	430,000	332,613	762,613
2024	445,000	315,413	760,413
2025	465,000	296,500	761,500
2026	485,000	276,156	761,156
2027-2031	2,765,000	1,048,970	3,813,970
2032-2035	<u>2,725,000</u>	<u>324,745</u>	<u>3,049,745</u>
	<u>\$ 7,730,000</u>	<u>\$ 2,943,610</u>	<u>\$ 10,673,610</u>

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$18,595,000. The District did not budget to issue any new debt in 2022, however the District was able to refund its existing debt. See Note 9.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Note 5: District Agreements

Regional Facilities Agreement

The District has entered into a Regional Facilities Agreement with Todd Creek Farms Metropolitan District No. 1. Todd Creek Metropolitan District No. 1 has agreed to construct the major regional water facilities necessary to serve property within the District and has agreed to provide water service to the District. The District has agreed that Todd Creek Metropolitan District No. 1 may assess such fees and charges on property of its customers within the District, as it deems appropriate to recoup capital costs of construction of facilities and the costs of providing water service.

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 Colorado Special Districts Property and Liability Pool ("the Pool") 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.

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

The District pays annual premiums to the Pool for auto, public official's 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of 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;
- 2) deferred loss on refunding used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 3) long-term liabilities such as bonds payable, accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report 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;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report principal payments on debt as expenses: however, they are recorded as a reduction in debt on the Statement of Activities.

Note 9: Subsequent event

On January 17, 2022 the District refunded its Series 2013A bonds in full by entering in to a Loan Agreement with MidWest One Bank for a General Obligation Refunding Loan Series 2022 ("Series 2022 Loan"). The 2022 Loan bears interest at a rate of 2.23% per annum. Interest payments are due on June 1 and December 1 each year beginning June 1, 2022 while principal payments are due on December 1 each year beginning December 1, 2022 through the maturity date of December 1, 2042.

SUPPLEMENTAL INFORMATION

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,012,124	\$ 1,010,120	\$ (2,004)
Specific ownership taxes	82,650	64,869	(17,781)
Interest and other income	8,000	1,464	(6,536)
Total Revenues	1,102,774	1,076,453	(26,321)
EXPENDITURES			
Bond interest	365,213	365,213	-
Bond principal	400,000	400,000	-
Paying agent fees	2,000	660	1,340
Treasurer's fees	15,128	15,164	(36)
Total Expenditures	782,341	781,037	1,304
CHANGE IN FUND BALANCE	320,433	295,416	(25,017)
FUND BALANCE - BEGINNING OF YEAR	409,899	431,026	21,127
FUND BALANCE - END OF YEAR	\$ 730,332	\$ 726,442	\$ (3,890)

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Development fees	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Total Revenues	<u> -</u>	<u> -</u>	<u> -</u>
EXPENDITURES			
Capital construction	<u> 28,131</u>	<u> -</u>	<u> 28,131</u>
Total Expenditures	<u> 28,131</u>	<u> -</u>	<u> 28,131</u>
NET CHANGES IN FUND BALANCES	(28,131)	-	28,131
FUND BALANCE - BEGINNING OF YEAR	<u> 28,131</u>	<u> 28,131</u>	<u> -</u>
FUND BALANCE - END OF YEAR	<u>\$ <u> -</u></u>	<u>\$ <u> 28,131</u></u>	<u>\$ <u> 28,131</u></u>

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

COMBINING BALANCE SHEET

GENERAL FUND

December 31, 2021

	<u>General</u>	<u>Sub-District</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 623,650	\$ 32,535	\$ 656,185
Cash and investments - restricted	4,012	1,850	5,862
Receivable County Treasurer	86	97	183
Property taxes receivable	<u>76,144</u>	<u>1,360,054</u>	<u>1,436,198</u>
Total Assets	<u>\$ 703,892</u>	<u>\$ 1,394,536</u>	<u>\$ 2,098,428</u>
LIABILITIES			
Accounts payable	<u>\$ 25,911</u>	<u>\$ -</u>	<u>\$ 25,911</u>
Total Liabilities	<u>25,911</u>	<u>-</u>	<u>25,911</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>76,144</u>	<u>1,360,054</u>	<u>1,436,198</u>
Total Deferred Inflows of Resources	<u>76,144</u>	<u>1,360,054</u>	<u>1,436,198</u>
FUND BALANCES/NET POSITION			
Fund Balances:			
Restricted			
Emergencies	4,012	1,850	5,862
Unassigned	<u>597,825</u>	<u>32,632</u>	<u>630,457</u>
Total Fund Balances	<u>601,837</u>	<u>34,482</u>	<u>636,319</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 703,892</u>	<u>\$ 1,394,536</u>	<u>\$ 2,098,428</u>

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

For the Year Ended December 31, 2021

	<u>General</u>	<u>Sub-District</u>	<u>Total</u>
EXPENDITURES			
Accounting	\$ 10,120	\$ -	\$ 10,120
Audit	4,000	-	4,000
Directors fees ant payroll taxes	4,852	-	4,852
Insurance	4,344	-	4,344
Legal	21,338	-	21,338
General engineering	72,027	-	72,027
Miscellaneous expenses	35	-	35
Repairs and maintenance	65,107	-	65,107
Treasurer's fees	2,166	275	2,441
	<u>183,989</u>	<u>275</u>	<u>184,264</u>
Total Expenditures	<u>183,989</u>	<u>275</u>	<u>184,264</u>
GENERAL REVENUES			
Property taxes	144,303	18,323	162,626
Specific ownership taxes	-	621	621
Interest and other income	271	-	271
Total General Revenues	<u>144,574</u>	<u>18,944</u>	<u>163,518</u>
NET CHANGES IN FUND BALANCES	(39,415)	18,669	(20,746)
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	<u>641,252</u>	<u>15,813</u>	<u>657,065</u>
END OF YEAR	<u>\$ 601,837</u>	<u>\$ 34,482</u>	<u>\$ 636,319</u>

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

EAGLE SHADOW METROPOLITAN DISTRICT NO. 1

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2021

<u>Collection Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2005	\$ 10,069,280	5.000	38.000	\$ 432,979	\$ 429,878	99.28%
2006	12,746,480	5.000	38.000	548,098	547,037	99.81%
2007	16,187,230	5.000	38.000	696,051	683,156	98.15%
2008	21,129,580	5.000	38.000	908,572	906,704	99.79%
2009	23,260,130	5.000	35.000	930,406	928,376	99.78%
2010	24,353,380	5.000	32.000	901,075	900,747	99.96%
2011	22,253,330	5.000	32.000	835,756	821,452	98.29%
2012	21,381,930	3.500	34.240	806,954	806,555	99.95%
2013	22,145,080	3.500	34.240	835,755	833,339	99.71%
2014	21,596,550	2.500	25.000	593,905	602,048	101.37%
2015	22,064,060	2.500	25.000	606,762	603,931	99.53%
2016	26,021,690	2.500	22.250	644,037	643,767	99.96%
2017	26,450,290	2.500	22.250	654,645	653,486	99.82%
2018	31,077,290	2.500	22.250	769,163	768,988	99.98%
2019	32,549,450	2.500	22.250	805,599	805,566	100.00%
2020	38,899,870	2.500	17.500	777,997	777,672	99.96%
2021	57,835,640	2.500	17.500	1,156,713	1,172,746	101.39%
Estimated for year ending December 31, 2022	76,144,200	1.000	17.500	1,408,668		

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.

Information provided does not include the Sub-District