

LINCOLN CREEK METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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# HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Lincoln Creek Metropolitan District  
Douglas County, Colorado

### **Opinion**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lincoln Creek Metropolitan District (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 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 District, as of December 31, 2021, and the respective changes in financial position and the 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 Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

### **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, 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 opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

### **Required Supplementary Information**

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

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

*Hiratsuka & Associates, LLP*

May 3, 2023  
Wheat Ridge, Colorado

**LINCOLN CREEK METROPOLITAN DISTRICT**

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ 237,621	\$ -	\$ 237,621	\$ -	\$ 237,621
Cash and investments - restricted	16,481	156,146	172,627	-	172,627
Taxes due from County	435	2,383	2,818	-	2,818
Accounts receivable - assessments	5,793	-	5,793	-	5,793
Prepaid expenses	2,334	-	2,334	-	2,334
Property taxes receivable	118,247	297,808	416,055	-	416,055
Capital assets not being depreciated	-	-	-	3,551,255	3,551,255
Total Assets	<u>\$ 380,911</u>	<u>\$ 456,337</u>	<u>\$ 837,248</u>	<u>3,551,255</u>	<u>4,388,503</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 31,928	\$ -	\$ 31,928	-	31,928
Prepaid assessments	23,222	-	23,222	-	23,222
Fee deposit payable	63,670	-	63,670	-	63,670
Accrued interest on bonds	-	-	-	13,559	13,559
Long-term liabilities:					
Due within one year	-	-	-	130,000	130,000
Due in more than one year	-	-	-	5,987,841	5,987,841
Total Liabilities	<u>118,820</u>	<u>-</u>	<u>118,820</u>	<u>6,131,400</u>	<u>6,250,220</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	118,247	297,808	416,055	-	416,055
Total Deferred Inflows of Resources	<u>118,247</u>	<u>297,808</u>	<u>416,055</u>	<u>-</u>	<u>416,055</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund balances:					
Nonspendable:					
Prepays	2,334	-	2,334	(2,334)	-
Restricted:					
Emergencies	16,481	-	16,481	(16,481)	-
Debt service	-	158,529	158,529	(158,529)	-
Unassigned	125,029	-	125,029	(125,029)	-
Total Fund Balances	<u>143,844</u>	<u>158,529</u>	<u>302,373</u>	<u>(302,373)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 380,911</u>	<u>\$ 456,337</u>	<u>\$ 837,248</u>		
Net Position:					
Restricted for:					
Emergencies				16,481	16,481
Debt service				158,529	158,529
Unrestricted				<u>(2,452,782)</u>	<u>(2,452,782)</u>
Total Net Position (Deficit)				<u>\$ (2,277,772)</u>	<u>\$ (2,277,772)</u>

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

**LINCOLN CREEK METROPOLITAN DISTRICT**

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>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
<u>Operating:</u>					
Accounting and audit	\$ 20,451	\$ -	\$ 20,451	\$ -	\$ 20,451
Insurance	6,284	-	6,284	-	6,284
Landscape contract	74,147	-	74,147	-	74,147
Landscape maintenance/improvements	97,212	-	97,212	-	97,212
Irrigation repairs	17,407	-	17,407	-	17,407
Lighting maintenance	6,119	-	6,119	-	6,119
Pet stations	4,389	-	4,389	-	4,389
Fence repairs	14,863	-	14,863	-	14,863
Snow removal	122,414	-	122,414	-	122,414
Electricity	3,747	-	3,747	-	3,747
Water	58,173	-	58,173	-	58,173
Legal	25,531	-	25,531	-	25,531
Management Fees	17,928	-	17,928	-	17,928
Miscellaneous	2,607	150	2,757	-	2,757
Administrative costs	2,601	-	2,601	-	2,601
Reserve study	2,160	-	2,160	-	2,160
Holiday lighting	6,720	-	6,720	-	6,720
Treasurer fees	957	5,252	6,209	-	6,209
Bond issuance costs	-	112,150	112,150	-	112,150
Bond interest	-	189,280	189,280	105,425	294,705
Bond principal	-	105,000	105,000	(105,000)	-
Interest developer advance	-	-	-	7,050	7,050
Total Expenditures	483,710	411,832	895,542	7,475	903,017
<b>PROGRAM REVENUES</b>					
Undeveloped lot fees	5,145	-	5,145	-	5,145
Homeowners fees	388,006	-	388,006	-	388,006
Park improvement fees	6,250	-	6,250	-	6,250
Development fees	-	102,109	102,109	-	102,109
Miscellaneous	5,530	-	5,530	-	5,530
Total Program Revenues	404,931	102,109	507,040	-	507,040
Net Program Income (Expense)	(78,779)	(309,723)	(388,502)	(7,475)	(395,977)
<b>GENERAL REVENUES</b>					
Property taxes	63,810	349,933	413,743	-	413,743
Specific ownership taxes (includes license plates registration)	6,795	37,265	44,060	-	44,060
Interest and other income	35	292	327	-	327
Total General Revenues	70,640	387,490	458,130	-	458,130
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(8,139)	77,767	69,628	(7,475)	62,154
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	6,000,000	6,000,000	(6,000,000)	-
Payment to escrow agent	-	(5,927,732)	(5,927,732)	5,927,732	-
Total Other Financing Sources (Uses)	-	72,268	72,268	(72,268)	-
<b>NET CHANGES IN FUND BALANCES</b>					
	(8,139)	150,035	141,896	(141,896)	
<b>CHANGES IN NET POSITION</b>					
				62,154	62,154
<b>FUND BALANCES/NET POSITION</b>					
BEGINNING OF YEAR	151,983	8,494	160,477	(2,500,402)	(2,339,925)
END OF YEAR	\$ 143,844	\$ 158,529	\$ 302,373	\$ (2,580,145)	\$ (2,277,772)

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

**LINCOLN CREEK METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 63,816	\$ 63,810	\$ (6)
Specific ownership taxes (includes license plates registration)	3,452	6,795	3,343
Undeveloped lot fees	25,000	5,145	(19,855)
Homeowners fees	350,000	388,006	38,006
Park improvement fees	6,000	6,250	250
Interest and other income	<u>3,000</u>	<u>5,565</u>	<u>2,565</u>
Total Revenues	<u>451,268</u>	<u>475,571</u>	<u>24,303</u>
<b>EXPENDITURES</b>			
Accounting and audit	14,000	20,451	(6,451)
Insurance	7,200	6,284	916
Landscape contract	55,000	74,147	(19,147)
Landscape maintenance/improvements	10,000	97,212	(87,212)
Irrigation repairs	15,000	17,407	(2,407)
Lighting maintenance	20,000	6,119	13,881
Pet stations	5,000	4,389	611
Fence repairs	-	14,863	(14,863)
Snow removal	45,000	122,414	(77,414)
Electricity	4,500	3,747	753
Water	60,000	58,173	1,827
Legal	16,000	25,531	(9,531)
Management Fees	13,000	17,928	(4,928)
Traffic control	700	-	700
Miscellaneous	2,000	2,607	(607)
Administrative costs	2,500	2,601	(101)
Reserve study	-	2,160	(2,160)
Website	900	-	900
Holiday lighting	10,000	6,720	3,280
Treasurer fees	952	957	(5)
Contingency	361,628	-	361,628
Reserve	50,000	-	50,000
Emergency reserve	<u>8,453</u>	<u>-</u>	<u>8,453</u>
Total Expenditures	<u>701,833</u>	<u>483,710</u>	<u>218,123</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(250,565)</b>	<b>(8,139)</b>	<b>242,426</b>
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>250,565</u>	<u>151,983</u>	<u>(98,582)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 143,844</u>	<u>\$ 143,844</u>

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

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Lincoln Creek Metropolitan District (the “District”), located in Douglas County (the “County”), Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on April 8, 2005, as a quasi-municipal corporation established under the State of Colorado Special District Act in accordance with a service plan dated December 6, 2004, approved by Douglas County. The District was established to provide for the design, acquisition, installation, construction, operation and maintenance of sanitation, storm drainage, water, streets, traffic and safety controls, parks and recreation, television relay and translation and mosquito control for the use and benefit of the residents and property owners of the District. 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 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.

#### Basis of Presentation

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

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

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.

# LINCOLN CREEK METROPOLITAN DISTRICT

## 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.

### 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. The District's expenditures in the Debt Service Fund exceeded the total appropriations which may be a violation of State budget law.

### Assets, Liabilities 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, 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 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.

# LINCOLN CREEK METROPOLITAN DISTRICT

## 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 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 type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Capital Assets

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

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

### Long-Term Obligations

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

### Fund Equity

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

#### Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund 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 \$16,481 of the General Fund balance has been reserved in compliance with this requirement.

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

The restricted fund balance in the Debt Service Fund in the amount of \$158,529 is restricted for the payment of the debt service costs (see Note 4).

### 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.

### Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. The District did not have any amount to report under this category at 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.

LINCOLN CREEK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2021

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 237,621
Cash and investments - restricted	<u>172,627</u>
Total	\$ <u>410,248</u>

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

Deposits with financial institutions	\$ 152,130
Investments - COLOTRUST	<u>258,118</u>
	\$ <u>410,248</u>

Deposits

Custodial Credit Risk

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

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has elected to 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.

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

### Interest Rate Risk

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

### Investment Valuation

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

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

### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. 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. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2021, the District had \$258,118 invested in COLOTRUST Plus+.

LINCOLN CREEK METROPOLITAN DISTRICT

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>Governmental Type Activities:</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 3,551,255	\$ -	\$ -	\$ 3,551,255

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

Note 4: Long-Term Debt

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

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2021</u>	<u>Current Portion</u>
Developer advances	\$ 117,500	\$ -	\$ -	\$ 117,500	\$ -
Developer advance - interest	98,291	7,050	-	105,341	-
Series 2006 GO Bonds	4,130,000	-	(4,130,000)	-	-
Series 2021 Bond	-	6,000,000	(105,000)	5,895,000	130,000
	<u>\$ 4,345,791</u>	<u>\$ 6,007,050</u>	<u>\$ (4,235,000)</u>	<u>\$ 6,117,841</u>	<u>\$ 130,000</u>

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

Funding and Reimbursement Agreement

On November 1, 2006, the District entered into a Funding and Reimbursement Agreement with LCV LLC (the “Developer”) pursuant to which the District agreed to reimburse the Developer for all General Fund Costs, whether incurred prior by the Developer or by advancement of funds to the District for the purpose funding General Fund Costs of the District up to a maximum amount of \$2,000,000. The advances do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation. The advances bear interest at a rate of 6% from the date of the advance. The advances are to be repaid using bond proceeds or any other legally available revenues. As of December 31, 2021, the principal balance of Developer Advances was \$117,500, and accrued interest was \$105,341.

LINCOLN CREEK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2021

\$6,000,000 Limited Tax General Obligation Refunding Bonds, Series 2021

On July 29, 2021, the District issued \$6,000,000 of Limited Tax General Obligation Refunding Bonds, Series 2021, (“2021 Bonds”), for the purpose of paying and cancelling the District’s Series 2006 Bonds, and paying the costs of the issuance of the 2021 Bonds, The 2021 Bonds bear interest at the rate of 2.76%, payable semiannually on each June 1 and December 1, commencing on December 1, 2021, and mature on December 1, 2041. The Bonds are subject to early redemption at the option of the District commencing December 1, 2026, without a redemption premium. The 2021 Bonds are secured by Pledged Revenues including the Required Mill Levy, the portion of Specific Ownership Tax related to the Required Mill Levy and any other moneys determined by the District. The refunding was undertaken to lower the interest rate.

Events of Default as defined in the 2021 Bond Indenture are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, of the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the 2021 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the 2021 Bonds is not an available remedy for an Event of Default.

The following is a summary of the annual long-term debt principal and interest requirements on the 2021 Bonds.

	Principal	Interest	Total
2022	\$ 130,000	\$ 162,702	\$ 292,702
2023	130,000	159,114	289,114
2024	135,000	155,526	290,526
2025	140,000	151,800	291,800
2026	145,000	147,936	292,936
2027-2031	775,000	678,270	1,453,270
2032-2036	900,000	564,420	1,464,420
2037-2041	3,540,000	433,320	3,973,320
	\$ 5,895,000	\$ 2,453,088	\$ 8,348,088

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

### \$4,130,000 General Obligation Limited Tax Bonds Series 2006

On March 6, 2006, the District issued \$4,130,000 General Obligation Limited Tax Bonds Series 2006 (“Series 2006 Bonds”) for the purpose of refunding the Developer for a portion of the costs of constructing and installing public infrastructure, financing capitalized interest and paying the costs of issuing the bonds. The Series 2006 Bonds bore interest at 6.35% payable semiannually on June 1 and December 1, matured on December 1, 2025, interest compounds at the same rate on unpaid interest. The Series 2006 Bonds were secured by a required mill levy of not less than 35 mills and not greater than 50 mills, Capital Fees, the portion of specific ownership taxes attributable to the property taxes used for debt service, and a Surplus Fund.

As the result of slower than expected home development leading to annual assessed valuations of District property finalized at values less than expected, revenue of the District had not been sufficient for full payment of scheduled principal and interest payment on the Series 2006 Bonds. During 2021, the Series 2006 Bonds were repaid in full with the proceeds from the Series 2021 Bonds.

### Debt Authorization

On November 1, 2005, a majority of the qualified electors of the Districts authorized the issuance of indebtedness in an amount not to exceed \$35,000,000 in general obligation bonds for purposes of acquiring streets, water, sewer, park and recreation, traffic and safety control, television relay and mosquito control facilities (“New Money Authorization”), and \$35,000,000 in general obligation bonds for purposes of issuing refunding bonds at a higher interest rate (“Refunding Authorization”). After the issuance of the 2006 Bonds, the remaining authorization is \$30,870,000 of the New Money Authorization and \$35,000,000 of the Refunding Authorization.

Per the District’s Service Plan, the District cannot issue debt in excess of \$6,000,000 in either general obligation bonds or revenue bonds. \$1,870,000 of the Service Plan authorization remains as of December 31, 2021.

### Note 5: 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.

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

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.

On November 1, 2005, 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 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

### Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

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

# LINCOLN CREEK METROPOLITAN DISTRICT

## Notes to Financial Statements December 31, 2021

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

- 1) governmental funds report 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; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Note 8: Homeowners Fee Resolution

On January 31, 2014 the District adopted the Second Amended and Restated Resolution Imposing Fees for Maintenance Services and Recreational Facilities, (“Fee Resolution”). To defray the cost of the services provided by the District including landscape maintenance, snow removal, park and recreation services, covenant enforcement, and design review, the District imposed a Service Fee on all lots and tracts within the District. The Service Fee was set as follows: \$131 per month per single family lots upon which a dwelling structure has been constructed and has received a certificate of occupancy (“CO”); \$55 per month for each multifamily unit which has a CO; \$40.00 per month based upon the number of dwelling units allowed on each lot or tract under the applicable plat for vacant lots or parcels (or parts thereof) platted for uses other than single family. This fee is retroactive to December 1, 2009.

On February 28, 2021 the District and Cardel Parker Limited Partnership (“Cardel”) entered into an Agreement with an effective date of February 29, 2016 whereby the District confirmed that it accepted and agreed to the imposition of an \$825.00 fee per month applicable to the entirety of the Cardel Property upon Cardel's acquisition of the Cardel Property at which fee would continue until such time as the Cardel Property was divided into individual Lots and which time Cardel would pay to the District the amount of \$8.51 per Lot per month until each Lot was transferred to an unrelated third party for ownership. After transfer of ownership of a Lot to an unrelated third party, the District would remove the Lot from the Cardel monthly invoice. Thereafter, service fees would be imposed on the Lot under new ownership, consistent with the Fee Resolution.

On February 28, 2021 the District and Melody Homes, Inc (“Melody”) entered into an Agreement with an effective date of December 20, 2017 whereby the District confirmed that it accepted and agreed to the imposition of an \$18.33 fee per Lot per month upon Melody's acquisition of the Melody Property which fee would continue until each Lot was transferred to an unrelated third party for ownership. After transfer of ownership of a Lot to an unrelated third party, the District would remove the Lot from the Melody monthly invoice. Thereafter, service fees would be imposed on the Lot under new ownership, consistent with the Fee Resolution.

LINCOLN CREEK METROPOLITAN DISTRICT

Notes to Financial Statements  
December 31, 2021

Note 9: Development Fee Resolution

The District adopted the Resolution Concerning Development fees with an effective date of December 7, 2005, (“Development Fee Resolution”). To contribute to the repayment of the Districts obligations a Development Fee of \$3,500 was imposed. The Development Fee is assessed against and constitutes a lien upon all property located within the District; provided that the Development Fee is to be paid to the District for each residential unit to be constructed upon the property in the District, whether single family or multi-family, and is payable upon the date of the issuance by the County of a building permit authorizing the construction of any such residential unit or units.

## SUPPLEMENTAL INFORMATION

**LINCOLN CREEK METROPOLITAN DISTRICT**

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 349,968	\$ 349,933	\$ (35)
Specific ownership taxes (includes license plates registration)	18,930	37,265	18,335
Development fees	158,000	102,109	(55,891)
Interest and other income	<u>4,000</u>	<u>292</u>	<u>(3,708)</u>
Total Revenues	<u>530,898</u>	<u>489,599</u>	<u>(41,299)</u>
<b>EXPENDITURES</b>			
Bond interest	525,285	189,280	336,005
Treasurer fees	5,221	5,252	(31)
Bond issuance costs	-	112,150	(112,150)
Bond principal	-	105,000	(105,000)
Trustee/paying agent fees	<u>500</u>	<u>150</u>	<u>350</u>
Total Expenditures	<u>531,006</u>	<u>411,832</u>	<u>119,174</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(108)</b>	<b>77,767</b>	<b>77,875</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	6,000,000	6,000,000
Payment to escrow agent	<u>-</u>	<u>(5,927,732)</u>	<u>(5,927,732)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>72,268</u>	<u>72,268</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(108)</b>	<b>150,035</b>	<b>150,143</b>
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>108</u>	<u>8,494</u>	<u>8,386</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 158,529</u>	<u>\$ 158,529</u>

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

**LINCOLN CREEK METROPOLITAN DISTRICT**

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2021

<u>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</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2015	\$ 1,262,110	10.000	50.000	60.000	\$ 75,727	\$ 75,727	100.00%
2016	\$ 2,140,650	10.000	50.000	60.000	\$ 128,439	\$ 128,444	100.00%
2017	\$ 2,167,270	10.000	50.000	60.000	\$ 130,036	\$ 130,037	100.00%
2018	\$ 2,931,080	10.000	52.079	62.079	\$ 181,959	\$ 181,937	99.99%
2019	\$ 2,879,950	10.000	52.662	62.662	\$ 180,463	\$ 180,486	100.01%
2020	\$ 4,202,050	10.000	53.206	63.206	\$ 265,595	\$ 265,554	99.98%
2021	\$ 6,381,620	10.000	54.840	64.840	\$ 413,784	\$ 413,743	99.99%
Estimated for year ending December 31, 2022	\$ 8,759,050	13.500	34.000	47.500	\$ 416,055		

**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.