

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**City and County of Broomfield, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**


**YEAR ENDED DECEMBER 31, 2021**


**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
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## Independent Auditor's Report

To the Board of Directors  
McKay Landing Metropolitan District No. 2

### Opinion

We have audited the accompanying financial statements of the governmental activities and the major funds of McKay Landing Metropolitan District No. 2 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 the major funds of McKay Landing Metropolitan District No. 2, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 McKay Landing Metropolitan District No. 2's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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, including omissions, 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 McKay Landing Metropolitan District No. 2'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 McKay Landing Metropolitan District No. 2'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 Supplementary Information*

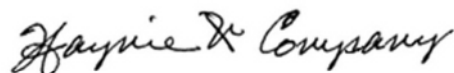
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise McKay Landing Metropolitan District No. 2's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

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

The Other Information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado  
June 22, 2022

## **BASIC FINANCIAL STATEMENTS**

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 760,164
Cash and Investments - Restricted	714,901
Receivable - County Treasurer	3,912
Prepaid Expenses	2,907
Property Taxes Receivable	1,034,169
Total Assets	2,516,053
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost of Loan Refunding	591,359
Total Deferred Outflows of Resources	591,359
<b>LIABILITIES</b>	
Accounts Payable	4,147
Accrued Interest Payable	17,553
Noncurrent Liabilities:	
Due Within One Year	410,000
Due in More Than One Year	7,200,000
Total Liabilities	7,631,700
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	1,034,169
Total Deferred Inflows of Resources	1,034,169
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	3,500
Debt Service	693,848
Unrestricted	(6,255,805)
Total Net Position	\$ (5,558,457)

See accompanying Notes to Basic Financial Statements.



**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 760,164	\$ -	\$ 760,164
Cash and Investments - Restricted	3,500	711,401	714,901
Receivable - County Treasurer	3,912	-	3,912
Prepaid Expenses	2,907	-	2,907
Property Taxes Receivable	59,952	974,217	1,034,169
Total Assets	\$ 830,435	\$ 1,685,618	\$ 2,516,053
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 4,147	\$ -	\$ 4,147
Total Liabilities	4,147	-	4,147
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	59,952	974,217	1,034,169
Total Deferred Inflows of Resources	59,952	974,217	1,034,169
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expenses	2,907	-	2,907
Restricted for:			
Emergency Reserves	3,500	-	3,500
Debt Service	-	711,401	711,401
Unassigned:			
General Government	759,929	-	759,929
Total Fund Balances	766,336	711,401	1,477,737
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 830,435	\$ 1,685,618	

Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds.  
Cost of Loan Refunding

591,359

Long-term liabilities, including loan payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Loan Payable  
Accrued Interest Payable

(7,610,000)  
(17,553)

Net Position of Governmental Activities

\$ (5,558,457)

See accompanying Notes to Basic Financial Statements.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 56,242	\$ 913,930	\$ 970,172
Specific Ownership Taxes	56,860	-	56,860
Net Investment Income	378	909	1,287
Total Revenues	113,480	914,839	1,028,319
<b>EXPENDITURES</b>			
General:			
Accounting	13,994	-	13,994
Audit	4,100	-	4,100
County Treasurer's Fees	844	13,717	14,561
Directors' Fees	400	-	400
Dues and Licenses	296	-	296
Insurance and Bonds	3,158	-	3,158
Legal	8,659	-	8,659
Miscellaneous	46	-	46
Debt Service:			
Loan Principal - Series 2016	-	385,000	385,000
Loan Interest - Series 2016	-	224,063	224,063
Early Principal Redemption - Series 2016	-	100,000	100,000
Total Expenditures	31,497	722,780	754,277
<b>NET CHANGE IN FUND BALANCES</b>	81,983	192,059	274,042
Fund Balances - Beginning of Year	684,353	519,342	1,203,695
<b>FUND BALANCES - END OF YEAR</b>	\$ 766,336	\$ 711,401	\$ 1,477,737

See accompanying Notes to Basic Financial Statements.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 274,042

Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Loan Principal Payment - Series 2016 485,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization on Cost of Loan Refunding - Series 2016 (71,612)  
Accrued Interest on Loan Payable - Change in Liability 863

Change in Net Position of Governmental Activities \$ 688,293

*See accompanying Notes to Basic Financial Statements.*

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
GENERAL FUND –  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 56,264	\$ 56,242	\$ (22)
Specific Ownership Taxes	48,500	56,860	8,360
Net Investment Income	3,000	378	(2,622)
Total Revenues	<u>107,764</u>	<u>113,480</u>	<u>5,716</u>
<b>EXPENDITURES</b>			
General:			
Accounting	18,000	13,994	4,006
Audit	4,200	4,100	100
Contingency	4,456	-	4,456
County Treasurer's Fees	844	844	-
Directors' Fees	600	400	200
Dues and Licenses	400	296	104
Insurance and Bonds	3,000	3,158	(158)
Legal	15,000	8,659	6,341
Miscellaneous	500	46	454
Total Expenditures	<u>47,000</u>	<u>31,497</u>	<u>15,503</u>
<b>NET CHANGE IN FUND BALANCE</b>	60,764	81,983	21,219
Fund Balance - Beginning of Year	<u>680,828</u>	<u>684,353</u>	<u>3,525</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 741,592</u>	<u>\$ 766,336</u>	<u>\$ 24,744</u>

See accompanying Notes to Basic Financial Statements.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

McKay Landing Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on November 11, 1999, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located entirely within the City and County of Broomfield, Colorado (the City). The District was established to provide financing for the construction of streets and safety control, water systems, sewer systems, parks and recreation facilities, transportation systems, television relay, mosquito control, and operation and maintenance of the District. Under the Service Plan, the District is the Financing District related to McKay Landing Metropolitan District No. 1 (McKay No. 1) as the Service District to serve the community of McKay Landing in the City. On December 19, 2007, McKay No. 1 was dissolved per a resolution that was approved by the City of Broomfield. Per the resolution, the District agreed to assume all the duties and responsibilities of McKay No. 1.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the City.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes, are the only activities currently reported by the District.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

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.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 government considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. 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.

**Pooled Cash and Investments**

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 single bank account. 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.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

**Cost of Loan Refunding**

In the government-wide financial statements, the deferred cost of loan refunding is being amortized using the interest method over the life of the refunding loan. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflow/Outflow of Resources**

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *cost of loan refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

In addition to liabilities, the statement of net position reports 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 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. Accordingly, the item, *property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

*Restricted Fund Balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance (Continued)**

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments	\$ 760,164
Cash and Investments - Restricted	714,901
Total Cash and Investments	\$ 1,475,065

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

Deposits with Financial Institutions	\$ 15,446
Investments	1,459,619
Total Cash and Investments	\$ 1,475,065

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. 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 for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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.

At December 31, 2021, the District’s cash deposits had a bank balance and a carrying balance of \$15,446.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 1,459,619</u>

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

	Balance - December 31, 2020	Additions	Retirements	Balance - December 31, 2021	Due Within One Year
Direct Placements					
2016A G.O. Refunding Loan	\$ 8,095,000	\$ -	\$ 485,000	\$ 7,610,000	\$ 410,000
Total Long-Term Obligations	<u>\$ 8,095,000</u>	<u>\$ -</u>	<u>\$ 485,000</u>	<u>\$ 7,610,000</u>	<u>\$ 410,000</u>

The details of the District's long-term obligations are as follows:

**\$10,000,000 General Obligation Refunding Loan, Series 2016A (Tax-Exempt), dated September 22, 2016** with an interest rate of 2.73% and matures on December 1, 2036. Interest payments on the loan shall be due and payable semi-annually on June 1 and December 1 each year through maturity. Principal payments on the loan shall be due and payable on December 1 of each year through maturity.

The District may prepay the principal of the loan in amounts up to \$100,000 annually, at a price of par and accrued interest to the prepayment date, without prepayment fees, premiums, or penalties. In addition, on September 22, 2026, and on any date thereafter, the District may prepay the principal of the loan in whole or in part, at a price of par and accrued interest to the prepayment date, without prepayment fees, premiums, or penalties.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The loan is secured by and payable from pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (1) the District's mill levy and (2) any other legally available monies which the District determines to apply to the payment of the loan. The District's mill levy means an ad valorem mill levy imposed upon all taxable property of the District, without limitation or rate, each year in an amount sufficient to pay the principal and interest on the loan as the same become due and payable. If monies produced from the mill levy, together with other pledged revenues, are not sufficient to pay punctually the scheduled payments of principal and interest, the District shall include all such amounts as may be necessary for such purposes in its computation of the mill levy in the subsequent year, and such mill levy shall be imposed and continue to be levied until the loan is fully paid.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 410,000	\$ 210,638	\$ 620,638
2023	420,000	199,290	619,290
2024	445,000	187,665	632,665
2025	460,000	175,348	635,348
2026	485,000	162,615	647,615
2027-2031	2,705,000	602,022	3,307,022
2032-2036	2,685,000	196,522	2,881,522
Total	<u>\$ 7,610,000</u>	<u>\$ 1,734,100</u>	<u>\$ 9,344,100</u>

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Events of Default**

The occurrence of any one or more of the following events or conditions shall constitute an Event of Default:

- (a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by this Agreement;
- (b) The District fails to pay the principal of or interest on the Loan or any other amount payable to the Lender hereunder when due;
- (c) The District fails to observe or perform any of the material covenants, agreements, duties, or conditions on the part of the District in the Financing Documents, and the District fails to remedy the same to the satisfaction of the Lender within 30 days.
- (d) Any representation or warranty made by the District in any Financing Document or any certificate, instrument, financial, or other statement furnished by the District to the Lender, proves to have been untrue or incomplete in any material respect when made or deemed made;
- (e) The pledge of the Pledged Revenue, the Collateral, or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder;
- (f) Any judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay, or satisfy such judgment or court order for 30 days;
- (g) A change occurs in the financial or operating conditions of the District, or the occurrence of any other event that, in the Lender's reasonable judgment, will have a materially adverse impact on the ability of the District to generate Pledged Revenue sufficient to satisfy the District's obligations under this Agreement or its other obligations, and the District fails to cure such condition within the time specified by the Lender in a written notice thereof from the Lender.
- (h) The District shall initiate, acquiesce, or consent to any proceedings to dissolve itself or to consolidate itself with other similar entities into a single entity, or the District shall otherwise cease to exist.

**Authorized Debt**

A majority of the qualified electors of the District authorized the issuance of indebtedness for general obligation bonds at an interest rate not to exceed 18% per annum. The electors also authorized the issuance of indebtedness for general obligation bonds for the purpose of refunding District debt at an interest rate which may be higher than the interest rate borne by the obligations being refunded. In addition, the electors authorized intergovernmental multiple fiscal year contractual obligation and the encumbrance of District property to provide additional security for District debt.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Election Held 11/2/1999	Election Held 5/2/2000	Election Held 11/7/2000	Authorization Used	Authorized But Unissued
Street Improvements	\$ 5,500,000	\$ -	\$ 5,500,000	\$ 4,915,822	\$ 6,084,178
Traffic and Safety Controls	500,000	-	500,000	-	1,000,000
Water System	1,100,000	-	1,100,000	868,624	1,331,376
Sewer and Storm Sewer System	1,800,000	500,000	2,300,000	1,917,879	2,682,121
Parks and Recreation	3,300,000	3,000,000	6,300,000	3,188,781	9,411,219
Public Transportation	500,000	-	500,000	-	1,000,000
Television Relay	500,000	-	500,000	-	1,000,000
Mosquito Control	100,000	-	100,000	-	200,000
Operations and Maintenance	<u>2,250,000</u>	<u>-</u>	<u>2,250,000</u>	<u>135,200</u>	<u>4,364,800</u>
Subtotal	15,550,000	3,500,000	19,050,000	11,026,306	27,073,694
Debt Refunding	15,550,000	19,050,000	34,600,000	23,945,000	45,255,000
Contracts with Other Political Subdivisions for Public Improvements	15,550,000	19,050,000	34,600,000	-	69,200,000
Encumbrances on District Real and Personal Property as Security for Financial Institutions	<u>3,300,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>6,300,000</u>
Subtotal	<u>18,850,000</u>	<u>22,050,000</u>	<u>34,600,000</u>	<u>-</u>	<u>75,500,000</u>
Total	<u>\$ 49,950,000</u>	<u>\$ 44,600,000</u>	<u>\$ 88,250,000</u>	<u>\$ 34,971,306</u>	<u>\$ 147,828,694</u>

The issuance of the Series 2016 Loans refunded the Series 2006 Bonds and did not use any debt authorization.

The First Modification to the District's Service Plan authorized the District to issue limited tax general obligation bonds in the principal aggregate amount of \$10,100,000 without the need to seek approval from the City to further modify the Service Plan. This modification also limited the Mill Levy to a maximum of 35 mills as adjusted for changes in the ratio of actual value to assessed value of property within the District under State statutes.

In December 2006, the Second Modification to the Service Plan was approved by the City. Pursuant to this modification, the District was authorized to issue the 2006 Refunding Bonds in a principal amount not to exceed \$12,000,000. The second modification also removed the Mill Levy cap of 35 mills.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

**NOTE 5 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 3,500
Debt Service	693,848
Total Restricted Net Position	\$ 697,348

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of long-term obligations issued for public improvements which were conveyed to other governmental entities.

**NOTE 6 INTERGOVERNMENTAL AGREEMENTS**

**District Facilities Construction and Service Agreement**

In order to implement the Service Plan, the District entered into the District Facilities Construction and Service Agreement (the Master IGA) with McKay No. 1 on April 21, 2000. The agreement was terminated on December 19, 2007, when McKay No. 1 was dissolved (see Note 1). As part of the dissolution, the District, McKay No. 1, and the City amended the Intergovernmental Agreement, whereby the District agreed to assume all the duties and responsibilities of McKay No. 1.

**NOTE 7 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 2, 1999, and again on November 7, 2000, a majority of the District's electors authorized tax levies, without limitation of rate, to produce taxes of \$150,000 annually for operations, maintenance, and other expenses without regard to any limitations under TABOR or Section 29-1-301, Colorado Revised Statutes.

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.

## **SUPPLEMENTARY INFORMATION**

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 914,282	\$ 913,930	\$ (352)
Net Investment Income	3,000	909	(2,091)
Total Revenues	<u>917,282</u>	<u>914,839</u>	<u>(2,443)</u>
<b>EXPENDITURES</b>			
General:			
County Treasurer's Fees	13,714	13,717	(3)
Contingency	12,292	-	12,292
Debt Service:			
Loan Principal - Series 2016	385,000	385,000	-
Loan Interest - Series 2016	220,994	224,063	(3,069)
Early Principal Redemption - Series 2016	100,000	100,000	-
Total Expenditures	<u>732,000</u>	<u>722,780</u>	<u>9,220</u>
<b>NET CHANGE IN FUND BALANCE</b>	185,282	192,059	6,777
Fund Balance - Beginning of Year	<u>520,565</u>	<u>519,342</u>	<u>(1,223)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 705,847</u>	<u>\$ 711,401</u>	<u>\$ 5,554</u>

## **OTHER INFORMATION**

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
SCHEDULE DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2021**

\$10,000,000  
General Obligation Refunding Loan,  
Series 2016 A, Dated September 22, 2016  
Interest Rate of 2.73%  
Payable June 1 and December 1,  
Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 410,000	\$ 210,638	\$ 620,638
2023	420,000	199,290	619,290
2024	445,000	187,665	632,665
2025	460,000	175,348	635,348
2026	485,000	162,615	647,615
2027	495,000	149,191	644,191
2028	525,000	135,490	660,490
2029	540,000	120,958	660,958
2030	565,000	106,011	671,011
2031	580,000	90,372	670,372
2032	610,000	74,319	684,319
2033	630,000	57,434	687,434
2034	660,000	39,996	699,996
2035	675,000	21,728	696,728
2036	110,000	3,045	113,045
Total	<u>\$ 7,610,000</u>	<u>\$ 1,734,100</u>	<u>\$ 9,344,100</u>

**MCKAY LANDING METROPOLITAN DISTRICT NO. 2  
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2017	\$ 23,326,400	2.000	32.500	\$ 804,761	\$ 804,647	99.99 %
2018	25,106,790	2.000	32.500	866,185	866,184	99.99
2019	25,009,159	2.000	32.500	862,816	862,816	100.00
2020	28,034,600	2.000	32.500	967,194	966,532	99.93
2021	28,131,760	2.000	32.500	970,546	970,172	99.96
Estimated for the Year Ending December 31, 2022	\$ 29,975,920	2.000	32.500	\$ 1,034,169		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.