

**SIENA LAKE METROPOLITAN DISTRICT  
Town of Gypsum, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2021**

## TABLE OF CONTENTS

	<b>PAGE</b>
Independent Auditor's Report.....	A1
<b>BASIC FINANCIAL STATEMENTS</b>	
Basic Financial Statements Governmental Funds Balance Sheet/Statement of Net Position .....	B1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities .....	B2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	B3
Notes to Financial Statements.....	C1
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Debt Service Fund.....	D1
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Capital Projects Fund.....	D2



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Siena Lake Metropolitan District  
Town of Gypsum, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Siena Lake Metropolitan District (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 Siena Lake Metropolitan District, as of December 31, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Siena Lake Metropolitan District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Key Audit Matters**

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

All metropolitan districts have agreements with the Developer when in the development stage. These agreements include those related to the District borrowing funds from the Developer and also purchasing constructed assets. At December 31, 2021, not all of the agreements between the Developer and the District have been completed. As a result, the amounts that certain transactions will be settled for have not been finalized. Management believes that any differences between what is projected in these financial statements and what will formally agreed to will not have a material effect on the District's financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Siena Lake Metropolitan 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 Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgement 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 Siena Lake Metropolitan 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Siena Lake Metropolitan 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 timing or the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Management has omitted the Management Discussion & 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Siena Lake Metropolitan District’s basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rae & co. CPAs, llc*

Timnath, Colorado  
August 30, 2022

## **BASIC FINANCIAL STATEMENTS**

**SIENA LAKE METROPOLITAN DISTRICT**  
**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS</b>			
Cash and investments	\$ 25,885	\$ -	\$ -
Cash and investments - restricted	-	4,388,929	14,445,150
Cash and investments with Treasurer	103	-	-
Accounts receivable	8,624	-	-
Property taxes receivable	12,989	30,308	-
Prepaid expenses	3,721	-	-
Capital assets not being depreciated	-	-	-
Capital assets being depreciated, net	-	-	-
Total assets	\$ 51,322	\$ 4,419,237	\$ 14,445,150
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 13,315	\$ -	\$ -
Accrued interest payable	-	-	-
Due in more than one year	-	-	-
Total liabilities	13,315	-	-
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes and assessments	12,989	30,308	-
 <b>FUND BALANCES</b>			
Nonspendable			
Prepaid expenses	3,721	-	-
Restricted			
Emergency reserves	3,258	-	-
Debt service	-	4,388,929	-
Capital purchases			14,445,150
Unassigned	18,039	-	-
Total fund balances	25,018	4,388,929	14,445,150
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	\$ 51,322	\$ 4,419,237	\$ 14,445,150
 <b>NET POSITION</b>			
Net investment in capital assets			
Restricted			
Emergencies			
Debt service			
Capital projects			
Unrestricted			
Total net position			

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

<u>Totals</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 25,885	\$ -	\$ 25,885
18,834,079		18,834,079
103	-	103
8,624		8,624
43,297	-	43,297
3,721	-	3,721
-	3,570,350	3,570,350
-	1,226,269	1,226,269
<u>\$ 18,915,709</u>	<u>4,796,619</u>	<u>23,712,328</u>

\$ 13,315	-	13,315
-	95,264	95,264
-	25,020,035	25,020,035
<u>13,315</u>	<u>25,115,299</u>	<u>25,128,614</u>

<u>43,297</u>	<u>-</u>	<u>43,297</u>
---------------	----------	---------------

3,721
3,258
4,388,929
14,445,150
18,039
<u>18,859,097</u>

\$ 18,915,709

(1,315,337)	(1,315,337)
3,258	3,258
4,388,929	4,388,929
14,445,150	14,445,150
(18,981,583)	(18,981,583)
<u>\$ (1,459,583)</u>	<u>\$ (1,459,583)</u>

**SIENA LAKE METROPOLITAN DISTRICT**  
**STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>REVENUES</b>				
Property taxes	\$ 28,267	\$ -	\$ -	\$ 28,267
Specific ownership taxes	1,579	-	-	1,579
Net investment income	-	451	1,565	2,016
Miscellaneous	493	-	-	493
Total revenues	<u>30,339</u>	<u>451</u>	<u>1,565</u>	<u>32,355</u>
<b>EXPENDITURES</b>				
Current				
General government				
Accounting	39,348	-	11,365	50,713
Election	1,999	-	-	1,999
General engineering	2,015	-	-	2,015
Insurance	2,484	-	-	2,484
Legal	60,782	-	53,914	114,696
Office overhead and expenditures	1,115	-	-	1,115
Treasurer's fees	848	-	-	848
Depreciation	-	-	-	-
Debt service				
Interest	-	272,163	-	272,163
Bond issuance costs	-	904,359	-	904,359
Repayment of advances from developer	-	-	4,446,435	4,446,435
Capital outlay				
Engineering	-	-	44,701	44,701
Sewer and storm sewer system	-	-	1,697,437	1,697,437
Potable water system	-	-	1,872,913	1,872,913
Raw water system and ponds	-	-	1,233,120	1,233,120
Total expenditures	<u>108,591</u>	<u>1,176,522</u>	<u>9,359,885</u>	<u>10,644,998</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(78,252)</u>	<u>(1,176,071)</u>	<u>(9,358,320)</u>	<u>(10,612,643)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	74,000	-	4,803,470	4,877,470
Proceeds from the issuance of debt	-	24,565,000	-	24,565,000
Transfers in	-	-	19,000,000	19,000,000
Transfers (out)	-	(19,000,000)	-	(19,000,000)
Total other financing sources (uses)	<u>74,000</u>	<u>5,565,000</u>	<u>23,803,470</u>	<u>29,442,470</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,252)	4,388,929	14,445,150	18,829,827
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>29,270</u>	<u>-</u>	<u>-</u>	<u>29,270</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 25,018</u>	<u>\$ 4,388,929</u>	<u>\$ 14,445,150</u>	<u>\$ 18,859,097</u>

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

<u>Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 28,267
-	1,579
-	2,016
-	493
-	32,355

-	50,713
-	1,999
-	2,015
-	2,484
-	114,696
-	1,115
-	848
6,851	6,851
92,368	364,531
-	904,359
(4,446,435)	-
-	-
-	44,701
(1,697,437)	-
(1,872,913)	-
(1,233,120)	-
(9,150,686)	1,494,312

9,150,686	(1,461,957)
-----------	-------------

(4,877,470)	-
(24,565,000)	-
(19,000,000)	-
19,000,000	-
(29,442,470)	-

(20,291,784)	(1,461,957)
--------------	-------------

-	2,374
---	-------

<u>\$ -</u>	<u>\$ (1,459,583)</u>
-------------	-----------------------

**SIENA LAKE METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 28,936	\$ 28,936	\$ 28,267	\$ (669)
Specific ownership taxes	1,447	1,447	1,579	132
Miscellaneous	-	-	493	493
Total revenues	<u>30,383</u>	<u>30,383</u>	<u>30,339</u>	<u>(44)</u>
<b>EXPENDITURES</b>				
General government				
Accounting	30,000	35,000	39,348	(4,348)
Election	-	2,500	1,999	501
General engineering	-	-	2,015	(2,015)
Insurance	2,625	2,625	2,484	141
Legal	30,000	50,000	60,782	(10,782)
Office overhead and expenditures	1,000	1,000	1,115	(115)
Treasurer's fees	868	868	848	20
Contingency	20,000	50,000	-	50,000
Total expenditures	<u>84,493.00</u>	<u>141,993.00</u>	<u>108,591</u>	<u>33,402</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(54,110)</u>	<u>(111,610)</u>	<u>(78,252)</u>	<u>33,358</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	<u>35,000</u>	<u>93,000</u>	<u>74,000</u>	<u>(19,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(19,110)	(18,610)	(4,252)	14,358
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>24,256</u>	<u>29,270</u>	<u>29,270</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,146</u>	<u>\$ 10,660</u>	<u>\$ 25,018</u>	<u>\$ 14,358</u>

These financials statements should be read only in connection with  
the accompanying notes to financial statements.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Siena Lake Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes. The District was organized on November 20, 2001 as Saddle Ridge Metropolitan District. On June 18, 2018, its name was changed to Siena Lake Metropolitan District. The District's service area boundaries are located in the Town of Gypsum, Colorado (Town) in Eagle County, Colorado (County). Of the 737 planned residential units the 47 townhomes are expected to be completed in 2023, the 180 apartments are expected to be completed in 2024 and the 510 single family units are expected to be completed in 2029. Retail office space of 117,200 square feet is anticipated to be completed in 2026 and 210,710 square feet is anticipated to be completed in 2027. The District was established principally to coordinate the financing of public improvements, including transportation, streets and safety control, street lighting, landscaping, water, sanitary sewer, storm drainage, television relay, and park and recreation improvements. Upon completion of construction, the District will dedicate public improvements to other local governments predominantly the Town.

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

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 (the organization) in a primary government's legal entity. The criteria considered in determining activities to be reported within the District's basic financial statements include whether:

- The organization is legally separate (can sue and be sued in their own name),
- The District appoints a voting majority of the organization's board,
- The District is able to impose its will on the organization,
- The organization has the potential to impose a financial benefit/burden on the District, and
- There is a fiscal dependency by the organization on the District.

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

**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 (i.e., Statement of Net Position column and the Statement of Activities column) report information on all of the non-fiduciary activities of the District. As a general rule, interfund activity is eliminated from the Government-wide financial statements.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

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

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

The Statement of Net Position column on the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

The governmental funds column on the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities 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 statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

Separate financial statements are provided for governmental funds. Governmental funds are those through which most governmental functions typically are financed. Governmental activities are normally supported by taxes and intergovernmental revenue. Governmental funds reporting focuses on the sources of funds and uses of the balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Major individual governmental funds are reported as separate columns in the fund financial statements. The District reports the following major funds:

The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

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.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

**Budgets**

In accordance with the Local Government Budget Law of Colorado, 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 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.

**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 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.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The amounts invested in local government pools are measured at fair value which is determined by using a net asset value of \$1 per share. GASB requires that the fair value of investments measured at net asset value should not be categorized within the fair value hierarchy. The District has no investments required to be reported under the fair value hierarchy.

**Property Taxes**

The District's Board of Directors levy property taxes. 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 taxpayer's election, on February 28 and June 15.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

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

**Property Taxes (continued)**

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 owners within the boundaries of the District have been assessed \$43,297 in taxes for 2021. Since these taxes are levied for operations during 2022, the taxes are classified as deferred inflows of resources.

**Capital Assets**

Capital assets, which include streets, potable water and sanitary sewer systems, are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Raw water system and ponds	30 years
----------------------------	----------

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available and is intended for use.

**SIENA LAKE METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

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

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available and is intended for use.

**Net Position**

The District has a net position consisting of three components – net investment in capital assets, restricted and unrestricted.

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2021, the District had a deficit net investment in capital assets of \$1,315,337.

Restricted net position includes amounts that are restricted for use either externally 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 amounts of \$4,388,929 for debt service, \$14,445,150 for public improvements and \$3,258 restricted for emergency reserves as of December 31, 2021.

As of December 31, 2021, the District had a deficit unrestricted net position of \$18,981,583. This deficit amount is the result of the District issuing but not expending bond proceeds for public improvements.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

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

**Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund in the amount of \$3,721 is comprised of prepaid amounts which are not in spendable form.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The restricted fund balance in the General Fund in the amount of \$3,258 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. The restricted fund balance in the Debt Service Fund in the amount of \$4,388,929 is to be used exclusively for debt service requirements. The restricted fund balance in the Capital Projects Fund in the amount of \$14,445,150 is to be used exclusively for the certain public improvements.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint. At December 31, 2021 the District had no committed fund balance.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority. At December 31, 2021, the District had no assigned fund balance.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

**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 - unrestricted	\$ 25,885
Cash and investments – restricted	<u>18,834,079</u>
Total cash and investments	<u>\$ 18,859,964</u>

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

Deposits with financial institutions	\$ 21,038
Investments	<u>18,838,926</u>
Total cash and investments	<u>\$ 18,859,964</u>

**Cash Deposits**

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 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.

At December 31, 2021, the District’s cash deposits had a bank and a book balance of \$21,038. The Federal Deposit Insurance Corporation (FDIC) covered all of these accounts.

**Investments**

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

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

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

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

**Investments (Continued)**

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

The District generally limits its investments to those 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 disclosure requirements or subject to investment custodial credit risk 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. As of December 31, 2021, the District had the following investments:

Colorado Local Government Liquid Asset Trust	Weighted average to reset 44 days, weighted average life 85 days	\$ 18,838,926
--	--	---------------

**COLOTRUST**

During 2021, the District invested in Colorado Local Government Liquid Asset Trust (COLOTRUST), through its paying agent for the General Obligation Limited Tax Bonds, Series 2021. COLOTRUST is 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 COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The District invests in COLOTRUST PLUS+. This portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST'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 COLOTRUST. COLOTRUST is rated AAAM by S&P Global Ratings. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods.

**SIENA LAKE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 4 - CAPITAL ASSETS**

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

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Primary Government				
Capital assets, not being depreciated:				
Infrastructure to be conveyed to the Town of Gypsum				
Potable water	\$ -	\$ 1,872,913	\$ -	\$ 1,872,913
Sanitary sewer and storm drainage	-	1,697,437		1,697,437
Total capital assets, not being depreciated	-	3,570,350	-	3,570,350
Capital assets, being depreciated:				
Raw water system and ponds	-	1,233,120	-	1,233,120
Total capital assets, being depreciated	-	1,233,120	-	1,233,120
Less accumulated depreciation for:				
Raw water system and ponds	-	(6,851)	-	(6,851)
Total accumulated depreciation	-	(6,851)	-	(6,851)
Total capital assets, being depreciated, net	-	1,226,269	-	1,226,269
Capital assets, net	\$ -	\$ 4,796,619	\$ -	\$ 4,796,619

Depreciation expense is charged to the general government function/program in the Statement of Activities.

**SIENA LAKE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 5 - LONG-TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2021</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds</b>					
G.O. Limited Tax Bonds Series 2021	\$ -	\$ 24,565,000	\$ -	\$ 24,565,000	\$ -
<b>Developer advances</b>					
Operational advances	24,000	74,000		98,000	-
Capital advances	-	4,803,470	4,446,435	357,035	-
	<u>\$ 24,000</u>	<u>\$ 29,442,470</u>	<u>\$ 4,446,435</u>	<u>\$ 25,020,035</u>	<u>\$ -</u>

**General Obligation Bond Series 2021**

On August 18, 2021, the District issued \$24,565,000 General Obligation Limited Tax Bonds, Series 2021 (the Bonds). This issuance was undertaken to reimburse the Developer for certain public improvements previously built on behalf of the District and to finance certain future public improvements. The interest rate on the Bonds ranges from 3.25% to 4.00%. The bonds mature on December 1, 2051. Interest is payable semi-annually on June 1 and December 1 each year, and principal is payable on December 1 each year beginning 2028. The Series 2021 bonds are secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes and specific ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing. The Series 2021 Bonds may be prepaid, beginning September 1, 2026, at the option of the District, in whole or in part, upon payment of the sum of the principal amount plus accrued interest thereon to the date of prepayment, and a prepayment fee ranging from 0% to 3%, with no prepayment penalty after September 1, 2029.

\$6,200,000 of proceeds from the Bonds were placed in a restricted account and can only be released for use by the District as additional property is included in the boundaries of the District at a rate of \$188,450 released per acre included.

**SIENA LAKE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

Acceleration of bond principal is not a remedy in the event of a default. However, the principal will remain outstanding and the interest will compound semiannually.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2021 Bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2022	\$ -	\$ 951,250	\$ 951,250
2023	-	951,250	951,250
2024	-	951,250	951,250
2025	-	951,250	951,250
2026	-	951,250	951,250
2027-2031	1,575,000	4,699,213	6,274,213
2032-2036	3,370,000	4,262,563	7,632,563
2037-2041	4,445,000	3,552,875	7,997,875
2042-2046	5,835,000	2,593,200	8,428,200
2047-2051	9,340,000	1,295,400	10,635,400
	<u>\$ 24,565,000</u>	<u>\$ 21,159,500</u>	<u>\$ 45,724,500</u>

**Developer Advances**

The District and the Developer have agreed to a Funding and Reimbursement Agreement. Under this agreement the Developer will loan to the District, up to \$135,000 per year through December 31, 2025 not to exceed \$540,000 to cover the operational funding shortfalls of the District. The interest rate on this note is 8.2%

In addition, there is a Funding and Reimbursement Agreement with Red Table Ventures, the previous developer. Under this agreement the District will pay \$24,000 plus any accrued and unpaid interest. The agreement has priority over the Funding and Reimbursement Agreement discussed above.

The Capital Funding Agreement is currently being negotiated with the Developer.

**Authorized Debt**

On November 6, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$672,000,000 at an interest rate not to exceed 18% per annum. As of December 31, 2021, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

	<b>Total Authorized</b>	<b>Amount Remaining at December 31, 2021</b>
Public improvements	\$ 280,000,000	\$ 255,435,000
Operations and maintenance	28,000,000	28,000,000
Refunding	280,000,000	280,000,000
	\$ 588,000,000	\$ 563,435,000

**NOTE 6 – RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND  
FUND FINANCIAL STATEMENTS**

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

	<b>Effect on Net Position</b>
Long term liabilities such as notes and accrued interest payable are not due and payable in the current period, and therefore, are not reported in the funds.	\$ (25,115,299)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,796,619

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

**SIENA LAKE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 6 – RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)**

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

	<u>Effect on Change in Net Position</u>
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. In addition, governmental funds report the proceeds of debt as revenues while it is reported as an increase in long-term debt in the full accrual statements	
Payment of principal	\$ 4,446,435
Debt proceeds	<u>(29,442,470)</u> \$ (24,996,035)
Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method	(92,368)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported net of depreciation expense. This is the amount by which capital additions of \$4,803,470 exceeded depreciation of \$6,851 in the current period.	4,796,619

**NOTE 7 -TRANSFERS**

During the year ended December 31, 2021, the Debt Service Fund transferred \$19,000,000 to the Capital Projects Fund for the capital fund portion of the bonds received.

**NOTE 8 - RELATED PARTIES**

The Board of Directors (Board) is comprised of three members. The members of the Board are employed, owners of, or consultants of the Developer. At December 31, 2021 the District owed the Developer \$ 442,692 in principal and accrued interest.

As required by Colorado statute, the Board members filed conflict of interest statements with the Secretary of State’s Office.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 9 - RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 (Pool). The Pool is an organization created by an 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.

**NOTE 10 - 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, except Enterprises. 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.

**SIENA LAKE METROPOLITAN DISTRICT NOTES TO  
FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

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.

A majority of the District's electors has authorized the District to collect revenues without regard to the TABOR limits.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The World Health Organization (WHO) declared a health emergency on January 20, 2020 and further declared a global pandemic on March 11, 2020. Due to the evolving nature of the COVID-19 pandemic, including variants of COVID-19 and the acceptance and effectiveness of the COVID-19 vaccines, the District cannot predict, the scope, duration or extent of the COVID-19 pandemic or any other outbreak may have on the operations or revenues of the District.

In prior years, legislation has been passed which allowed the Board of County Commissioners with the approval of the County Treasurer to reduce, waive or suspend the interest accrued on delinquent property taxes with the effect of slowing down, for a period of time, the collection of these taxes.

## **SUPPLEMENTAL INFORMATION**

**SIENA LAKE METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 451	\$ 451
Total revenues	<u>-</u>	<u>-</u>	<u>451</u>	<u>451</u>
<b>EXPENDITURES</b>				
General government				
Contingency	-	1,900,000	-	1,900,000
Debt Service				
Interest	-	368,178	272,163	96,015
Bond issuance costs	-	836,400	904,359	(67,959)
Total expenditures	<u>-</u>	<u>3,104,578</u>	<u>1,176,522</u>	<u>1,928,056</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(3,104,578)</u>	<u>(1,176,071)</u>	<u>1,928,507</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the issuance of debt	-	18,697,618	24,565,000	5,867,382
Bond premium	-	2,813,018	-	(2,813,018)
Transfers (out)	-	(18,697,618)	(19,000,000)	(302,382)
Total other financing sources (uses)	<u>-</u>	<u>2,813,018</u>	<u>5,565,000</u>	<u>2,751,982</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(291,560)	4,388,929	4,680,489
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>26,270</u>	<u>-</u>	<u>(26,270)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (265,290)</u>	<u>\$ 4,388,929</u>	<u>\$ 4,654,219</u>

**SIENA LAKE METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS**  
**December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 1,565	\$ 1,565
Total revenues	<u>-</u>	<u>-</u>	<u>1,565</u>	<u>1,565</u>
<b>EXPENDITURES</b>				
General government				
Accounting	-	-	11,365	(11,365)
Legal	-	-	53,914	(53,914)
Debt service	-	-		
Repayment of advances from developer	-	18,697,618	4,446,435	14,251,183
Capital outlay				
Engineering	415,373	415,373	44,701	370,672
Surveying and sitework	438,211	438,211	-	438,211
Streets and traffic safety	1,626,412	1,626,412	-	1,626,412
Sewer and storm sewer system	651,240	651,240	1,697,437	(1,046,197)
Potable water system	1,365,974	1,365,974	1,872,913	(506,939)
Raw water system and ponds	1,110,330	1,110,330	1,233,120	(122,790)
Contingency	841,131	13,090,078	-	13,090,078
Total expenditures	<u>6,448,671</u>	<u>37,395,236</u>	<u>9,359,885</u>	<u>28,035,351</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(6,448,671)</u>	<u>(37,395,236)</u>	<u>(9,358,320)</u>	<u>28,036,916</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	6,448,671	18,697,618	4,803,470	(13,894,148)
Transfers in	-	18,697,618	19,000,000	302,382
Total other financing sources (uses)	<u>6,448,671</u>	<u>37,395,236</u>	<u>23,803,470</u>	<u>(13,591,766)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	14,445,150	14,445,150
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,445,150</u>	<u>\$ 14,445,150</u>