

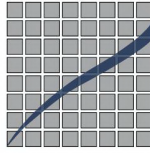
ABILENE STATION METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

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YEAR ENDED DECEMBER 31, 2021**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Abilene Station Metropolitan District No. 2
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Abilene Station Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison schedule for the general fund, and the budgetary comparison for the general fund for the year then ended in accordance with the 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 the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern 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 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is 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 information procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 28, 2022

BASIC FINANCIAL STATEMENTS

ABILENE STATION METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 22,261
Cash and Investments - Restricted	3,900
Accounts Receivable - Intergovernmental	682
Property Taxes Receivable	6
Prepaid Expenses	5,196
Capital Assets, Not Being Depreciated:	
Construction in Progress	<u>2,832,126</u>
Total Assets	<u>2,864,171</u>
LIABILITIES	
Accounts Payable	12,328
Noncurrent Liabilities:	
Due in More Than One Year	<u>4,754,875</u>
Total Liabilities	<u>4,767,203</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>6</u>
Total Deferred Inflows of Resources	<u>6</u>
NET POSITION	
Restricted For:	
Emergency Reserves	3,900
Unrestricted	<u>(1,906,938)</u>
Total Net Position	<u><u>\$ (1,903,038)</u></u>

See accompanying Notes to Basic Financial Statements.

**ABILENE STATION METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Capital Projects		Total Governmental Funds
ASSETS				
Cash and Investments	\$ 22,261	\$ -	\$	22,261
Cash and Investments - Restricted	3,900	-	-	3,900
Due from Other Districts - Abilene Station MD No. 1	682	-	-	682
Property Taxes Receivable	6	-	-	6
Prepaid Insurance	5,196	-	-	5,196
	<u>32,045</u>	<u>-</u>	<u>\$</u>	<u>32,045</u>
Total Assets				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 12,328	\$ -	\$	12,328
Total Liabilities	12,328	-	-	12,328
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	6	-	-	6
Total Deferred Inflows of Resources	6	-	-	6
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	5,196	-	-	5,196
Restricted For:				
Emergencies (TABOR)	3,900	-	-	3,900
Unassigned	10,615	-	-	10,615
Total Fund Balances	19,711	-	-	19,711
	<u>32,045</u>	<u>-</u>	<u>\$</u>	<u>32,045</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				2,832,126
Long-term liabilities, including Developer advances payable and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.				
Developer Advance Payable				(3,160,486)
Accrued Interest Payable - Developer Advance				(1,594,389)
Net Position of Governmental Activities			<u>\$</u>	<u>(1,903,038)</u>

See accompanying Notes to Basic Financial Statements.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property Taxes	\$ 6	\$ -	\$ 6
Transfer from Abilene Station Metro No. 1	128,255	-	128,255
Net Investment Income	29	-	29
Total Revenues	<u>128,290</u>	<u>-</u>	<u>128,290</u>
EXPENDITURES			
General:			
Accounting	13,367	-	13,367
Dues and Licenses	3,300	-	3,300
Insurance	5,192	-	5,192
Engineering	2,421	-	2,421
Legal	9,577	-	9,577
District Management	6,569	-	6,569
Miscellaneous	49	-	49
Capital Projects:			
Capital Outlay	-	2,513,527	2,513,527
Total Expenditures	<u>40,475</u>	<u>2,513,527</u>	<u>2,554,002</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	87,815	(2,513,527)	(2,425,712)
OTHER FINANCING SOURCES (USES)			
Developer Advances	-	2,513,527	2,513,527
Repay Interest on Developer Advances	(100,000)	-	(100,000)
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>2,513,527</u>	<u>2,413,527</u>
NET CHANGE IN FUND BALANCES	(12,185)	-	(12,185)
Fund Balances - Beginning of Year	<u>31,896</u>	<u>-</u>	<u>31,896</u>
FUND BALANCES - END OF YEAR	<u>\$ 19,711</u>	<u>\$ -</u>	<u>\$ 19,711</u>

See accompanying Notes to Basic Financial Statements.

**ABILENE STATION 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 \$ (12,185)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Assets Acquired 2,513,527

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment 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.

Developer Advance - Infrastructure (2,513,527)

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.

Repayment of Developer Advances Interest - O&M 100,000
Accrued Interest on Developer Advance - Change in Liability (1,524,117)

Change in Net Position of Governmental Activities \$ (1,436,302)

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

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 6	\$ 6	\$ 6	\$ -
Interest Income	60	60	29	(31)
Transfers from Abilene Station Metro No. 1	127,865	127,865	128,255	390
Total Revenues	<u>127,931</u>	<u>127,931</u>	<u>128,290</u>	<u>359</u>
EXPENDITURES				
General:				
Accounting	13,500	13,250	13,367	(117)
Insurance	6,500	5,200	5,192	8
District Management	15,000	10,000	6,569	3,431
Legal	16,500	10,000	9,577	423
Miscellaneous Expenses	250	150	49	101
Engineering	-	-	2,421	(2,421)
Dues and Licenses	3,000	3,300	3,300	-
Snow Removal	2,500	2,500	-	2,500
Detention Pond	10,000	10,000	-	10,000
Contingency	2,750	1,500	-	1,500
Total Expenditures	<u>70,000</u>	<u>55,900</u>	<u>40,475</u>	<u>15,425</u>
EXCESS OF REVENUES OVER EXPENDITURES	57,931	72,031	87,815	15,784
OTHER FINANCING SOURCES (USES)				
Repay Developer Advances	-	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	57,931	(27,969)	(12,185)	15,784
Fund Balance - Beginning of Year	<u>22,802</u>	<u>31,896</u>	<u>31,896</u>	<u>9,094</u>
FUND BALANCE - END OF YEAR	<u>\$ 80,733</u>	<u>\$ 3,927</u>	<u>\$ 19,711</u>	<u>\$ 24,878</u>

See accompanying Notes to Basic Financial Statements.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Abilene Station Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the Arapahoe County District Court recorded on March 16, 2007, and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the City of Aurora (City), Arapahoe County, Colorado. The organization was approved by eligible electors of District at an election held on November 7, 2006. The District operates in accordance with its Service Plan, as approved by the City on July 24, 2006 (the Service Plan).

The District was organized in conjunction with Abilene Station Metropolitan District No.1 (District No. 1, and together with the District, the Districts) to collectively undertake the financing and construction of the improvements under the Service Plan. The District was established to provide financing for the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the public improvements within the District including streets, parks and recreation, water, sanitation and storm, public transportation, mosquito control, safety protection, limited fire protection and television relay and translation. The District is not authorized to operate and maintain any part or all of the public improvements, other than park and recreation improvements, unless the provision of such operation and maintenance is pursuant to an intergovernmental agreement with the City.

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.

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 are normally supported by property taxes and intergovernmental revenues.

ABILENE STATION 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 net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 District considers revenues to be available if they are collected within 60 days of 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. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation 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 Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

ABILENE STATION 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.

The District has amended its annual budget for the year ended December 31, 2021.

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 and investments.

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.

Capital Assets

Capital assets, which include infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the District's net position.

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 are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2021.

Deferred Inflows of Resources

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, *deferred 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:

ABILENE STATION 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)

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.

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	\$ 22,261
Cash and Investments - Restricted	3,900
Total Cash and Investments	\$ 26,161

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

Deposits with Financial Institutions	\$ 5,844
Investments	20,317
Total Cash and Investments	\$ 26,161

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 \$5,844.

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

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average	<u>\$ 20,317</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAmmf by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net value using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

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

	<u>Balance - December 31, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance - December 31, 2021</u>
Capital Assets, Not Being Depreciated:				
Infrastructure	\$ 318,599	\$ 2,513,527	\$ -	\$ 2,832,126
Total Capital Assets, Not Being Depreciated	<u>\$ 318,599</u>	<u>\$ 2,513,527</u>	<u>\$ -</u>	<u>\$ 2,832,126</u>

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 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	Reductions	Balance - December 31, 2021	Due Within One Year
Governmental Activities					
Notes from Direct Borrowings and Direct Placements:					
Developer Advances - O&M	\$ 328,360	\$ -	\$ -	\$ 328,360	\$ -
Developer Advances - Capital Infrastructure	318,599	2,513,527	-	2,832,126	-
Accrued Interest on Developer Advances - O&M	91,581	142,961	100,000	134,542	-
Accrued Interest on Developer Advances - Capital	78,691	1,381,155	-	1,459,846	-
Total	<u>\$ 817,231</u>	<u>\$ 4,037,644</u>	<u>\$ 100,000</u>	<u>\$ 4,754,875</u>	<u>\$ -</u>

Authorized Debt

At an election held November 7, 2006, a majority of the qualified electors of the District who voted in the election authorized the issuance of general obligation indebtedness in an amount not to exceed \$802,000,000 for providing public improvements and refunding of previously issued indebtedness.

	Amount Authorized on November 7, 2006	Authorization Used	Authorized But Unissued
Streets	\$ 72,000,000	\$ -	\$ 72,000,000
Water	72,000,000	-	72,000,000
Sanitary and Storm Sewer	72,000,000	-	72,000,000
Parks and Recreation	72,000,000	-	72,000,000
Traffic & Safety	72,000,000	-	72,000,000
Mosquito Control	72,000,000	-	72,000,000
Public Transportation	72,000,000	-	72,000,000
Fire Protection	72,000,000	-	72,000,000
Television Relay and Translation	72,000,000	-	72,000,000
Operations and Maintenance	10,000,000	-	10,000,000
Debt Refunding	72,000,000	-	72,000,000
Intergovernmental Contracts	72,000,000	-	72,000,000
Total	<u>\$ 802,000,000</u>	<u>\$ -</u>	<u>\$ 802,000,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$72,000,000. The District anticipates a debt issuance prior to year-end 2022.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 NET POSITION

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

Restricted 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 a restricted net position as of December 31, 2021, as follows:

Restricted Net Position:		
Emergencies	\$	3,900

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of developer advances for public improvements, of which a significant portion of these improvements will be conveyed to other governmental entities and which costs will be removed from the District's financial records.

NOTE 7 AGREEMENTS

Intergovernmental Agreement with the City of Aurora

The District and the City are parties to an Intergovernmental Agreement (City IGA) dated June 26, 2007, which provides contractual enforcement rights to the City with respect to certain restrictions set forth in the District's Service Plan. Under the City IGA, the District covenants to dedicate all public improvements to the City or other appropriate jurisdiction, and covenants that all improvements will be constructed in compliance with the City's standards and specifications. The City IGA states that the District is not authorized to operate and maintain improvements, other than park and recreation improvements, unless otherwise agreed to by the City. Further, the District is required to impose a mill levy for Aurora Regional Improvements (the ARI Mill Levy) commencing in the first year the District imposes a debt service mill levy.

Facilities Funding, Construction and Operations Agreement

On June 8, 2007, the District and District No. 1 entered into a Facilities Funding, Construction and Operations Agreement, as modified by the Amended and Restated Addendum dated September 11, 2008 (collectively, the FFCOA), whereby the District, as the Management District, agrees to provide administrative services, as well as coordinating, construction, and management of certain improvements for both the District and District No. 1. The District agrees to own (subject to transfer to other governmental entities or authorities), operate, maintain, finance, and construct the Facilities (as defined in the FFCOA) and District No. 1 agrees to contribute to the cost of the same through the issuance of bonds and/or the imposition of a mill levy.

Intergovernmental Agreement for Street Maintenance and Cost Sharing

On April 21, 2008, the District, District No. 1, and the City entered into an Intergovernmental Agreement for Street Maintenance and Cost Sharing (IGA). The IGA sets forth the ownership, maintenance, regulatory, and funding responsibilities of each party for certain streets that serve the property within the District and District No. 1.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 AGREEMENTS (CONTINUED)

ARTA Agreement

On July 21, 2008, the District entered into the Third Amendment to Aurora Regional Transportation Authority (ARTA) Establishment Agreement, along with other metropolitan districts within the City. This Agreement was further amended to add additional metropolitan district members. Pursuant to the Agreement, ARTA will plan, design, acquire, construct, relocate, redevelop, and finance regional improvements within the boundaries of the metropolitan districts which are a party to the Agreement using the revenue from the ARI Mill Levy (as defined therein) of each of the districts. In accordance with the Agreement, the City has been offered the right to appoint no less than 30% and no more than 49% of the ARTA Board, but as of December 31, 2021, had not exercised this right.

NOTE 8 RELATED PARTIES

The Developer of the property within the District is Abilene Station, LLC. All of the members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

Operation Funding Agreements

On April 6, 2007, the District and Abilene Corporate Center LLC (n/k/a Abilene Station LLC) entered into an Operation Funding Agreement (2007-2008 OFA), whereby the Developer agreed to advance funds to the District for operation and maintenance expenses incurred for fiscal years 2007 through 2008 up to \$200,000, and the District agreed to reimburse the Developer for those advances, together with interest accruing at 8% per annum. On December 11, 2008, and effective January 1, 2009, the District and the Developer entered into a 2009-2011 Operation Funding Agreement (2009-2011 OFA), whereby the Developer agreed to advance funds to the District for operation and maintenance expenses incurred for fiscal years 2009 through 2011 as set forth in each year's annual budget, as may be amended, and the District agreed to reimburse the Developer for those advances, together with interest accruing at 8% per annum.

On April 7, 2015, the District, District No. 1, and the Developer entered into a 2015 Operation Funding Agreement, as amended by the First Amendment dated November 5, 2016, the Second Amendment dated November 21, 2017, and effective January 1, 2018, the Third Amendment dated November 20, 2018, and the Fourth Amendment dated November 19, 2019 (collectively, the 2015 OFA, and with the 2007-2008 OFA and the 2009-2011 OFA, the OFAs), whereby the Developer agreed to advance funds to the District for operation and maintenance expenses of the District and District No. 1 incurred for fiscal years 2015 through 2020 up to \$175,000, and the District agreed to reimburse the Developer for those advances, together with interest accruing at 8% per annum. The parties acknowledged that the Developer incurred costs during the period that the District and District No. 1 were inactive and that those costs will be reimbursable in accordance with the terms of the 2015 OFA (Reimbursable Interim Costs), as contemplated in the Letter Agreement (discussed below).

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 RELATED PARTIES (CONTINUED)

Operation Funding Agreements (Continued)

Further, the 2015 OFA establishes the priority of payment of the Reimbursable Interim Costs and the advances made under the various funding agreements with the Developer relative to funding the operation and maintenance of the District and District No. 1. In the event the District has not reimbursed the Developer for all costs under the 2015 OFA by December 31, 2060, any outstanding principal and interest will be deemed to be forever discharged and satisfied in full.

The District's obligations under the OFAs are subject to annual appropriation and are not multiple-fiscal year obligations of the District. As of December 31, 2021, the amount outstanding under the OFAs totaled \$328,360 of principal and \$129,959 of interest.

Project Funding and Reimbursement Agreement

On April 11, 2007, the District and Abilene Corporate Center, LLC (n/k/a Abilene Station, LLC) entered into a Project Funding and Reimbursement Agreement. The Project Funding and Reimbursement Agreement sets forth the rights, obligations, and procedures for the District to reimburse the Developer for Organization Expenses and Construction Related Expenses (as such terms are defined therein) advanced by the Developer. The Developer agreed to advance to the District those funds necessary for Construction Related Expenses in fiscal years 2007 through 2011 up to the amount of \$10,000,000. The amounts advanced by the Developer bear interest at the rate of 8% per annum. The District's obligations under the agreement are subject to annual appropriation and are not multiple-fiscal year obligations of the District. In the event the District has not reimbursed the Developer for all costs under the agreement by December 31, 2047, any outstanding principal and interest will be deemed to be forever discharged and satisfied in full.

Facilities Acquisition Agreement

On April 17, 2015, the District, District No. 1, and the Developer entered into a Facilities Acquisition Agreement (FAA) which sets forth the respective rights, obligations, and procedures with respect to the Districts' acquisition of and/or reimbursement for public improvements constructed by the Developer. The Developer agrees to construct the public improvements in accordance with the terms therein to be acquired by the Districts or another local governmental entity for ownership, operation, and maintenance. The Districts agree to reimburse the Developer for the construction costs expended and verified in accordance with the terms of the FAA up to the maximum amount of \$5,000,000, together with interest accruing at 8% per annum. Further, the Districts agree to reimburse the Developer for costs associated with the organization of the Districts, together with interest accruing at 8% per annum. The obligation of the Districts are subject to annual appropriation and are not multiple-fiscal year obligations of the Districts. In the event the Districts have not reimbursed the Developer for all costs under the FAA by December 31, 2055, any outstanding principal and interest will be deemed to be forever discharged and satisfied in full. As of December 31, 2021, the amount outstanding under the FAA totaled \$2,832,126 of principal and \$1,117,214 of interest.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 RELATED PARTIES (CONTINUED)

Letter Agreement

Pursuant to the Letter Agreement between the District and the Developer dated December 14, 2010 (Letter Agreement), the parties agreed that the District's obligations under the 2007-2008 OFA, the 2009-2011 OFA, and the Project Funding and Reimbursement Agreement (collectively, the Funding Agreements) would be suspended during the period that the District was declared inactive and that the District agreed to reimburse the Developer for amounts advanced under the Funding Agreements, together with interest accrued prior to and during the period of inactivity, upon returning to active status. The District further agreed to reimburse the Developer for costs incurred by the Developer to maintain the District during inactive status.

NOTE 9 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 and public officials' liability 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.

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.

ABILENE STATION METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

On November 7, 2006 a majority of the District's electors authorized the District to collect and spend or retain ad valorem taxes of up to \$5,000,000 annually for operations and maintenance expenses of the District without regard to any limitations imposed by TABOR beginning in 2007. Additionally, the District electors authorized the District to collect, retain and spend all revenue without regard to limitation under TABOR in 2007 and all subsequent years.

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.

SUPPLEMENTARY INFORMATION

**ABILENE STATION METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Transfer from Abilene Station Metro No. 1	\$ 2,458,175	\$ 2,458,175	\$ -	\$ (2,458,175)
Total Revenues	<u>2,458,175</u>	<u>2,458,175</u>	<u>-</u>	<u>(2,458,175)</u>
EXPENDITURES				
General:				
Contingency	12,226	12,226	-	12,226
Capital Projects:				
Bond Issue Costs	258,175	258,175	-	258,175
Streets	966,451	966,451	-	966,451
Sewer	1,062,997	1,062,997	-	1,062,997
Park and Recreation	1,325	1,325	-	1,325
Capital Outlay	-	441,825	2,513,527	(2,071,702)
Total Expenditures	<u>2,301,174</u>	<u>2,742,999</u>	<u>2,513,527</u>	<u>229,472</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	157,001	(284,824)	(2,513,527)	(2,228,703)
OTHER FINANCING SOURCES (USES)				
Developer Advances	-	441,825	2,513,527	2,071,702
Repay Developer Advances	(157,001)	(157,001)	-	157,001
Total Other Financing Sources (Uses)	<u>(157,001)</u>	<u>284,824</u>	<u>2,513,527</u>	<u>2,228,703</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ABILENE STATION METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year <u>Tax Levy</u>	Mills <u>Levied</u>	Total Property Taxes		Percent Collected to Levied
			<u>Levied</u>	<u>Collected</u>	
2017	\$ 290	40.000	\$ 12	\$ 4	33.33
2018	145	40.000	6	6	100.00
2019	145	40.000	6	6	100.00
2020	145	40.000	6	6	100.00
2021	145	40.000	6	6	100.00
Estimated for the Year Ending December 31, 2022	145	40.000	6	-	0%

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.