

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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Board of Directors
Anthology West Metropolitan District No. 2
Douglas County, Colorado

Independent Auditor's Report

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Anthology West Metropolitan District No. 2 as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

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

Supplemental Information

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

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 30, 2022

Anthology West Metropolitan District No. 2
(fka Cherry Creek South Metropolitan District No. 2)

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS

December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 14,735	\$ -	\$ 14,735	\$ -	\$ 14,735
Cash and investments - restricted	8	-	8	-	8
Receivable from County Treasurer	196	1,677	1,873	-	1,873
Due from District No. 4	-	120,914	120,914	-	120,914
Property Tax Receivable	21,726	106,030	127,756	-	127,756
Due from other funds	<u>67,957</u>	<u>-</u>	<u>67,957</u>	<u>-</u>	<u>67,957</u>
Total Assets	<u>\$ 104,622</u>	<u>\$ 228,621</u>	<u>\$ 333,243</u>	<u>-</u>	<u>333,243</u>
LIABILITIES					
Payable to District No. 6	\$ 82,896	\$ 38,482	\$ 121,378	-	121,378
Due to other funds	-	67,957	67,957	-	67,957
Accrued interest payable	-	-	-	38,504	38,504
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,664</u>	<u>83,664</u>
Total Liabilities	<u>82,896</u>	<u>106,439</u>	<u>189,335</u>	<u>122,168</u>	<u>311,503</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>21,726</u>	<u>106,030</u>	<u>127,756</u>	<u>-</u>	<u>127,756</u>
Total Deferred Inflows of Resources	<u>21,726</u>	<u>106,030</u>	<u>127,756</u>	<u>-</u>	<u>127,756</u>
FUND BALANCE					
Restricted:					
Emergencies	8	-	8	(8)	-
Debt service	-	16,152	16,152	(16,152)	-
Unassigned:	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>8</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>16,152</u>	<u>16,152</u>	<u>(16,152)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 104,622</u>	<u>\$ 228,621</u>	<u>\$ 333,243</u>		
NET POSITION					
Restricted for:					
Emergencies				8	8
Debt service				16,152	16,152
Unrestricted:				<u>(122,176)</u>	<u>(122,176)</u>
Total Net Position (Deficit)				<u>\$ (106,016)</u>	<u>\$ (106,016)</u>

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

Anthology West Metropolitan District No. 2
(fka Cherry Creek South Metropolitan District No. 2)

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

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Treasurer's Fees	\$ 279	\$ 4,464	\$ 4,743	\$ -	\$ 4,743
Transfer to District No. 4	-	305,211	305,211	-	305,211
Transfer to District No. 6	20,085	-	20,085	-	20,085
Bond Principal	-	1,591,400	1,591,400	(1,591,400)	-
Bond Interest	-	63,656	63,656	(2,405)	61,251
Trustee Fee	-	600	600	-	600
Developer Operations interest	-	-	-	6,693	6,693
Total Expenditures	<u>20,364</u>	<u>1,965,331</u>	<u>1,985,695</u>	<u>(1,587,112)</u>	<u>398,583</u>
GENERAL REVENUES					
Property Taxes	18,568	297,571	316,139	-	316,139
Specific Ownership Taxes	1,791	28,697	30,488	-	30,488
Interest Income	5	159	164	-	164
Total Revenues	<u>20,364</u>	<u>326,427</u>	<u>346,791</u>	<u>-</u>	<u>346,791</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(1,638,904)</u>	<u>(1,638,904)</u>	<u>1,587,112</u>	<u>(51,792)</u>
SPECIAL ITEMS					
Assumption of District No. 4's debt	-	1,655,056	1,655,056	-	1,655,056
Forgiveness of debt	-	-	-	6,650	6,650
Total Special Items	<u>-</u>	<u>1,655,056</u>	<u>1,655,056</u>	<u>6,650</u>	<u>1,661,706</u>
CHANGE IN FUND BALANCE	-	16,152	16,152	(16,152)	
CHANGE IN NET POSITION				1,609,914	1,609,914
FUND BALANCE/NET POSITION BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,715,930)</u>	<u>(1,715,930)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 16,152</u>	<u>\$ 16,152</u>	<u>\$ (122,168)</u>	<u>\$ (106,016)</u>

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

Anthology West Metropolitan District No. 2
(fka Cherry Creek South Metropolitan District No. 2)

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

For the Year Ended December 31, 2021

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property Taxes	\$ 18,568	\$ 18,568	\$ 18,568	\$ -
Specific Ownership	1,135	9,432	1,791	(7,641)
Interest Income	<u>3,000</u>	<u>5,000</u>	<u>5</u>	<u>(4,995)</u>
Total Revenues	<u>22,703</u>	<u>33,000</u>	<u>20,364</u>	<u>(12,636)</u>
EXPENDITURES				
Miscellaneous	3,000	3,000	-	3,000
Treasurer's Fees	279	279	279	-
Transfer to District No. 6	<u>19,424</u>	<u>29,721</u>	<u>20,085</u>	<u>9,636</u>
Total Expenditures	<u>22,703</u>	<u>33,000</u>	<u>20,364</u>	<u>12,636</u>
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>

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

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Anthology West Metropolitan District No. 2 (“the District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was initially organized in 1985 as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. In 2004, the Town of Parker approved a Consolidated Service Plan for the District, along with Cherry Creek South Metropolitan Districts No. 3 through No. 11 (the “2004 Service Plan”). After the approval of the 2004 Service Plan, the District, along with Cherry Creek South Metropolitan District Nos. 4-11, was established as a Residential Financing District, to provide tax revenue to Cherry Creek South Metropolitan District No. 3, the Service District, and to pay the costs of the capital improvements and maintenance costs. Then, on April 4, 2016, the Town of Parker approved an Amended and Restated Service Plan for the District and Cherry Creek South Metropolitan District No. 3, which also consolidated that amended and restated Service Plan with the Service Plan for Anthology West Metropolitan District Nos. 4-6 (the “2016 Consolidated Service Plan”). In May of 2016, Anthology West Metropolitan District Nos. 4-6 were organized, and pursuant to the 2016 Consolidated Service Plan, are to act, together with the District and Cherry Creek Metropolitan District No. 3 (which has since changed its name to Anthology West Metropolitan District No. 3) (collectively, the “Districts”), as a multiple-district structure to provide for the provision of public improvements for all of the Districts. Also, subsequent to the organization of Anthology West Metropolitan District No. 4 (“District No. 4”), a portion of the property within the boundaries of the District was excluded from the District and included in District No. 4 (the “Excluded Property”). The name of the District was changed to Anthology West Metropolitan District No. 2 in 2016. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

During 2021, the District amended its total appropriations in the General Fund from \$22,703 to \$33,000 primarily due to the transfer of funds to District No. 6 and in the Debt Service Fund from \$324,141 to \$1,842,000 due the repayment of the District's Debt refunded by District No. 4. During 2022, the District further amended its total appropriations in the Debt Service Fund from \$1,842,000 to \$1,970,000.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Deposits and Investments

The District's cash and short-term investments with maturities of three months or less from the date of acquisition are considered to be cash on hand. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Property Taxes

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

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

Long-Term Obligations

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

Fund Balance

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

Nonspendable Fund Balance

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

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$8 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$16,152 is restricted for the payment of the debt service costs (see Note 3).

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above component and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

The District has a deficit in unrestricted net position as of December 31, 2021. This deficit amount is the result of the District being responsible for the payment of debt issued for public improvements that were conveyed to other governmental entities and which costs were removed from the District's financial records.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 14,735
Cash and investments – Restricted	<u>8</u>
Total	\$ <u>14,743</u>

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

Investment - CSAFE	\$ <u>14,743</u>
Total	\$ <u>14,743</u>

Deposits:

Custodial Credit Risk

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

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

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Investments:

Investment Valuation

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. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

The District had no recurring fair value measurements as of December 31, 2021.

Credit Risk

The District investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Concentration of Credit Risk

None of the District's investments are subject to concentration of credit risk.

Interest Rate Risk

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

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

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust ("CSAFE" or the "Trust"), is rated AAmmf by Fitch Ratings and the maturity is weighted average under 60 days. CSAFE 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 custodian agreements. 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 custodians' internal records identify the investments owned by CSAFE. At December 31, 2021, the District had \$14,743 invested in CSAFE.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Note 3: Long-Term Debt

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

\$1,850,000 General Obligation Limited Tax Bonds – Series 2014

The District originally issued General Obligation Limited Tax Bonds – Series 2014 (“Series 2014 Bonds”) in the aggregate principal amount of \$1,850,000. These Bonds were issued to compensate for a settlement agreement as further described in Note 6. Principal and interest is payable annually on December 15 of each year. The Series 2014 Bonds bear interest at 4.0% prior to December 15, 2024 and 6% on and after December 15, 2024. Principal totaling \$1,850,000 will mature serially in annual installments through December 15, 2043. The Series 2014 Bonds that matured on December 15, 2016 are subject to redemption prior to maturity on December 15, 2015, and on any date thereafter without redemption premium. The Series 2014 Bonds are secured by Pledged Revenues including ad valorem property taxes from the Limited Mill Levy, the portion of Specific Ownership Tax which is collected as a result of the imposition of the Limited Mill Levy, interest earnings on moneys deposited into the Debt Service account and any other legally available funds of the district deposited into the Debt Service account in the sole discretion of the District.

The Fixed Mill Levy is 22.50 mills, subject to adjustment as provided in the bond documents related to the Series 2014 Bonds to result in the Limited Mill Levy. As of December 31, 2021, the Fixed Mill Levy, as adjusted is 25.049 mills. For the collection years 2018, 2019, 2020 and 2021, the District levied the required Fixed Mill Levy, as adjusted, which did not generate enough revenue to pay the scheduled principal and interest payments in full.

The Excluded Property, although no longer within the boundaries of the District, remains subject to the debt obligation under the Series 2014 Bonds, as reflected in the Tax Revenue Pledge Agreement between the District and Anthology West Metropolitan District No. 4, dated January 19, 2018, in relation to the issuance of bonds by Anthology West Metropolitan District No. 4.

On November 30, 2021, District No. 4 issued its General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Loan, Series 2021 which refunded the District’s Series 2014 Bonds in their entirety.

Funding and Reimbursement Agreement

On March 4, 2016, Cherry Creek South Metropolitan District No. 3, the District (by acknowledgement), (“the Districts”), and Anthology Recovery Acquisition, LLC, (“Developer”) entered into a Funding and Reimbursement Agreement whereby the Developer agreed to advance funds to the Districts to pay for operation costs, including prior costs, of the Districts as per the annual adopted budgets. Such funds will be available through December 31, 2020 and accrue simple interest at the rate of 8%. As of December 31, 2021, the outstanding principal is \$83,664 and total accrued interest is \$38,504.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Per the Funding and Reimbursement Agreement (Operations and Maintenance) between District No. 6 (See Note 6) and the Developer (and acknowledged by District Nos. 2-5), District No. 6 assumed the obligation to reimburse the Developer for prior costs advanced by the Developer under the Funding and Reimbursement Agreement with District No. 3.

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

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
General Obligation Bonds					
G.O. Bonds Series 2014	\$ 1,597,794	\$ -	\$ 1,597,794	\$ -	\$ -
Total General Obligation Bonds	1,597,794	-	1,597,794	-	-
Other - Developer Advances					
Developer Advance Principal - Operating	83,664	-	-	83,664	-
Total Other - Developer Advances	83,664	-	-	83,664	-
Total	\$ 1,681,458	\$ -	\$ 1,597,794	\$ 83,664	\$ -

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$118,115,000. The District has not budgeted to issue any new debt in 2022.

Note 4: Tax, Spending and Debt Limitations

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

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

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
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Notes to Financial Statements
December 31, 2021

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

In May 1994, a majority of the District's electors authorized the District to increase its fiscal year spending and annual District revenues to an amount not to exceed \$5,000,000. Such authorization constituted a voter approved revenue change within the meaning of TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 5: Risk Management

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

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

Note 6: Agreements

District Operating Services Agreement

On January 1, 2017 the Districts entered into a District Operating Services Agreement whereby District No. 6 was designated as the entity that will coordinate capital construction and financing activities on behalf of all of the Districts, and the District, District No. 3, District No. 4 and District No. 5 were designated the as the Taxing Districts. The Taxing Districts are responsible for all costs fees charges, and expenses incurred by District No. 6 through the imposition of a General Fund Mill Levy. District No. 6 is responsible for all administrative and operational services. The Taxing Districts may terminate the Operating Service Agreement upon 90 days written notice to District No. 6.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
(fka Cherry Creek South Metropolitan District No. 2)

Notes to Financial Statements
December 31, 2021

Mill Levy Equalization Agreement

On January 1, 2017, as amended September 25, 2019, the Districts entered into a Mill Levy Equalization and Pledge Agreement for the purpose of providing for the imposition of a uniform mill levy throughout the Districts for the purpose of paying the Series 2018 Bonds under District No. 4 and any parity bonds or obligations issued by any of the Taxing Districts for the purpose of financing public improvements, reimbursing the Developer and paying the administrative, operations and maintenance costs of the District and the public improvements.

Construction Funding and Reimbursement Agreement

On July 12, 2016, District No. 6 entered into a Construction Funding and Reimbursement Agreement with the Developer, as amended by that certain First Amendment to Construction Funding and Reimbursement Agreement, dated July 27, 2019, whereby the Developer agreed to advance funds to District No. 6 for the construction and installation of public infrastructure within the boundaries of the Districts through December 31, 2020. The Districts state their intention to repay the advances and the advances made by the Developer will bear simple interest at a rate of 8.0% per annum. The Districts' obligation terminates at the earlier of repayment in full or 40 years from the date of the agreement.

Funding and Reimbursement Agreement (Operations and Maintenance)

On July 12, 2016, District No. 6 entered into Funding and Reimbursement Agreement (Operations and Maintenance) with the Developer whereby the Developer agreed to advance funds to District No. 6 for the payment of O&M costs incurred by the Districts through December 31, 2020. Per the Funding and Reimbursement Agreement (Operations and Maintenance), District No. 6 assumed the obligation to reimburse the Developer for prior costs advanced by the Developer under the Funding and Reimbursement Agreement (See Note 3) with District No. 3. The Districts state their intention to repay the advances and the advances made by the Developer will bear simple interest at a rate of 8.0% per annum. The Districts' obligation terminates at the earlier of repayment in full or 40 years from the date of the agreement.

Tax Revenue Pledge Agreement

On January 19, 2018, the District entered into a Tax Revenue Pledge Agreement (the "2018 Tax Revenue Pledge Agreement") with District No. 4 pursuant to which property excluded from the District and included into the District No. 4 remains subject to the debt obligation under the Series 2014 Bonds on the District. In return, the District pledges all other Debt Service mill levy to District No. 4 for the payments on the Series 2018 Bonds.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 2
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Notes to Financial Statements
December 31, 2021

On November 30, 2021, the District entered into a Tax Revenue Pledge Agreement (the “2021 Tax Revenue Pledge Agreement”) with District No. 4, which replaced and superseded the 2018 Tax Revenue Agreement in its entirety. Pursuant to the 2021 Tax Revenue Pledge Agreement, the District pledged its Debt Service Mill Levy to District No. 4 for the payments on the Series 2021 Loan and 2022 Subordinate Bonds issued by District No. 4.

Note 7: Related Party

Anthology Recovery Acquisition, LLC, a subsidiary of RainTree Investment Corporation (“RainTree”), acquired significant ownership and/or investment interests in the property within the District. One member of the Board of Directors is an employee of RainTree. One other director is a consultant, directly or indirectly, to RainTree. Management believes that all potential conflicts, if any, have been disclosed to the Board and filed with the State as required by Title 32, Colorado Revised Statutes. One member of the Board of Directors is an employee of JR Engineering, LLC, which is contracted as project manager for the construction of capital infrastructure.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) 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.

SUPPLEMENTAL INFORMATION

Anthology West Metropolitan District No. 2
(fka Cherry Creek South Metropolitan District No. 2)

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

For the Year Ended December 31, 2021

	Original Budget	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 297,570	\$ 297,570	\$ 297,571	\$ 1
Specific ownership taxes	24,571	24,571	28,697	4,126
Interest income	<u>2,000</u>	<u>2,000</u>	<u>159</u>	<u>(1,841)</u>
Total Revenues	<u>324,141</u>	<u>324,141</u>	<u>326,427</u>	<u>2,286</u>
EXPENDITURES				
Bond Interest	71,900	63,656	63,656	-
Bond Principal	201,042	1,591,400	1,591,400	-
Transfer to District 4	42,735	305,211	305,211	-
Treasurer's Fees	4,464	4,464	4,464	-
Trustee Fee	<u>4,000</u>	<u>5,269</u>	<u>600</u>	<u>4,669</u>
Total Expenditures	<u>324,141</u>	<u>1,970,000</u>	<u>1,965,331</u>	<u>4,669</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	(1,645,859)	(1,638,904)	6,955
SPECIAL ITEMS				
Assumption of District No. 4's debt	<u>-</u>	<u>1,655,056</u>	<u>1,655,056</u>	<u>-</u>
Total Special Items	<u>-</u>	<u>1,655,056</u>	<u>1,655,056</u>	<u>-</u>
CHANGE IN FUND BALANCE	-	9,197	16,152	6,955
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 9,197</u>	<u>\$ 16,152</u>	<u>\$ 6,955</u>

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

Anthology West Metropolitan District No. 2
(fka Cherry Creek South Metropolitan District No. 2)

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
For the Year Ended December 31, 2021

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property	Prior Year Assessed Valuation for Current Year Property	Mills Levied			Total Property Tax		Percent Collected to Levied
	<u>Tax Levy</u>	<u>Excluded Property</u>	<u>Genera l Fund</u>	<u>Debt Service</u>	<u>Excluded Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2005	\$ 2,205,550	N/A	35.000	0.000	0.000	\$ 77,194	\$ 77,194	100.00%
2006	\$ 3,184,300	N/A	35.000	0.000	0.000	\$ 111,451	\$ 111,467	100.01%
2007	\$ 3,629,190	N/A	35.000	0.000	0.000	\$ 127,022	\$ 128,942	101.51%
2008	\$ 3,631,710	N/A	35.000	0.000	0.000	\$ 127,110	\$ 129,566	101.93%
2009	\$ 3,908,070	N/A	35.000	0.000	0.000	\$ 136,782	\$ 136,838	100.04%
2010	\$ 2,681,610	N/A	35.000	0.000	0.000	\$ 93,856	\$ 83,281	88.73%
2011	\$ 2,680,300	N/A	35.000	0.000	0.000	\$ 93,811	\$ 89,668	95.58%
2012	\$ 2,231,350	N/A	35.000	0.000	0.000	\$ 78,097	\$ 78,115	100.02%
2013	\$ 2,386,000	N/A	35.000	0.000	0.000	\$ 83,510	\$ 80,085	95.90%
2014	\$ 2,609,065	N/A	12.500	22.500	0.000	\$ 91,317	\$ 91,316	100.00%
2015	\$ 3,897,080	N/A	12.500	22.500	0.000	\$ 136,398	\$ 83,638	61.32% (1)
2016	\$ 3,027,900	N/A	12.500	22.500	0.000	\$ 105,977	\$ 105,983	100.01%
2017	\$ 3,510,960	N/A	12.500	22.500	0.000	\$ 122,883	\$ 122,884	100.00%
2018	\$ 2,466,950	\$ 2,399,150	19.800	27.547	24.875	\$ 176,482	\$ 176,482	100.00%
2019	\$ 2,467,750	\$ 3,439,100	10.764	36.583	24.875	\$ 202,389	\$ 202,389	100.00%
2020	\$ 2,692,250	\$ 5,786,040	10.172	37.506	25.049	\$ 273,296	\$ 273,295	100.00%
2021	\$ 2,709,050	\$ 7,464,420	6.854	40.824	25.049	\$ 316,138	\$ 316,139	100.00%
Estimated for year ending December 31, 2022	\$ 2,679,560	\$ 9,632,780	8.108	39.570	0.000	\$ 127,756		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

- 1) The collected tax in 2015 reflects abatements resulting from a status change of a structure located within the District from taxable to non-taxable.