

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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Board of Directors
Anthology West Metropolitan District No. 6
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. 6 (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. 6 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. 6

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	\$ 121,511	\$ -	\$ 121,511	\$ -	\$ 121,511
Cash and investments - restricted	3,322	-	3,322	-	3,322
Receivable - operating advance	5,449	-	5,449	(5,449)	-
Receivable from District No. 2	93,761	28,126	121,887	-	121,887
Receivable from District No. 5	(105)	13,947	13,842	-	13,842
Prepaid expenses	11,086	-	11,086	-	11,086
Due from other funds	1,100	-	1,100	-	1,100
Total Assets	<u>\$ 236,124</u>	<u>\$ 42,073</u>	<u>\$ 278,197</u>	<u>(5,449)</u>	<u>272,748</u>
LIABILITIES					
Accounts payable	\$ 23,878	\$ -	\$ 23,878	-	23,878
Payroll taxes payable	31	-	31	-	31
Payable to District #4	259,123	40,973	300,096	-	300,096
Due to other funds	-	1,100	1,100	-	1,100
Total Liabilities	<u>283,032</u>	<u>42,073</u>	<u>325,105</u>	<u>-</u>	<u>325,105</u>
FUND BALANCES					
Fund Balances:					
Nonspendable:					
Prepays	11,086	-	11,086	(11,086)	-
Restricted:					
Emergencies	3,322	-	3,322	(3,322)	-
Debt service	-	-	-	-	-
Unassigned	(61,316)	-	(61,316)	61,316	-
Total Fund Balances	<u>(46,908)</u>	<u>-</u>	<u>(46,908)</u>	<u>46,908</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 236,124</u>	<u>\$ 42,073</u>	<u>\$ 278,197</u>		
 Net Position:					
Restricted for:					
Emergencies				3,322	3,322
Unrestricted				<u>(55,679)</u>	<u>(55,679)</u>
Total Net Position				<u>\$ (52,357)</u>	<u>\$ (52,357)</u>

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

Anthology West Metropolitan District No. 6

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Legal	\$ 50,050	\$ -	\$ 50,050	\$ -	\$ 50,050
Audit / Accounting	33,753	-	33,753	-	33,753
Insurance	20,838	-	20,838	-	20,838
Miscellaneous expense	6,077	-	6,077	-	6,077
Transfer to District No. 4	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>110,718</u>	<u>10,000</u>	<u>120,718</u>	<u>-</u>	<u>120,718</u>
PROGRAM REVENUES					
System development fees - District No. 4	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Program Revenues	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net Program Income (Expenses)	(110,718)	-	(110,718)	-	(110,718)
GENERAL REVENUES					
Transfer from District No. 2	20,085	-	20,085	-	20,085
Transfer from District No. 3	10	-	10	-	10
Transfer from District No. 4	<u>55,920</u>	<u>-</u>	<u>55,920</u>	<u>-</u>	<u>55,920</u>
Total General Revenues	<u>76,015</u>	<u>-</u>	<u>76,015</u>	<u>-</u>	<u>76,015</u>
NET CHANGES IN FUND BALANCES	(34,703)	-	(34,703)	34,703	
CHANGE IN NET POSITION				(34,703)	(34,703)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>(12,205)</u>	<u>-</u>	<u>(12,205)</u>	<u>(5,449)</u>	<u>(17,654)</u>
END OF YEAR	<u>\$ (46,908)</u>	<u>\$ -</u>	<u>\$ (46,908)</u>	<u>\$ (5,449)</u>	<u>\$ (52,357)</u>

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

Anthology West Metropolitan District No. 6

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

For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Transfer from District No. 2	\$ 19,424	\$ 21,000	\$ 20,085	\$ (915)
Transfer from District No. 3	11	11	10	(1)
Transfer from District No. 4	54,024	56,000	55,920	(80)
Transfer from District No. 5	30,602	30,602	-	(30,602)
Miscellaneous income	<u>-</u>	<u>15,592</u>	<u>-</u>	<u>(15,592)</u>
Total Revenues	<u>104,061</u>	<u>123,205</u>	<u>76,015</u>	<u>(47,190)</u>
EXPENDITURES				
Legal	30,000	50,100	50,050	50
Audit / Accounting	20,000	33,800	33,753	47
Election expense	5,000	-	-	-
Insurance	27,000	21,000	20,838	162
Miscellaneous expense	8,000	6,100	6,077	23
Directors Fees	3,000	-	-	-
Payroll tax	300	-	-	-
Contingency	7,962	-	-	-
Emergency reserve	<u>2,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>104,061</u>	<u>111,000</u>	<u>110,718</u>	<u>282</u>
NET CHANGE IN FUND BALANCE	-	12,205	(34,703)	(46,908)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>(12,205)</u>	<u>(12,205)</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,908)</u>	<u>\$ (46,908)</u>

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

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Anthology West Metropolitan District No. 6 (“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 is a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act to provide, in coordination with the other Districts (as defined below), the Public Improvements to the District’s service area, to be dedicated to the Town of Castle Rock (“Town”) or other appropriate jurisdiction or owner association. The Cherry Creek South Metropolitan District Nos 2-11 were subject to a consolidated service plan as approved by the Town in September 2004. On April 4, 2016, the Town of Parker approved the Amended and Restated Service Plan for Cherry Creek South Metropolitan District No. 2 and Cherry Creek South Metropolitan District No. 3 and Consolidated Service Plan for Cherry Creek South Metropolitan District No. 2 and Cherry Creek South Metropolitan District No. 3 and the District, Anthology West Metropolitan District No. 4 (“District No. 4”) and Anthology West Metropolitan District No. 5 (“District No. 5”) (collectively, “the Districts”), as amended by the First Amendment to the Consolidated Service Plan for Anthology West Metropolitan District No. 5 and Anthology West Metropolitan District No. 6. The District was organized pursuant to an Order and Decree recorded in the real property records of the Clerk and Recorder of Douglas County, Colorado on June 30, 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. 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements December 31, 2021

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.

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 is interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements December 31, 2021

The District reports the following major governmental funds:

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

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

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. The District amended its total appropriations in the General Fund from \$104,061 to \$111,000 due to increased legal, accounting and audit costs.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

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

Deposits and Investments

The District's cash and 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements December 31, 2021

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 does not have any items that qualify for reporting under this category.

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$11,086 represents prepaid expenditures.

Restricted Fund Balance

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

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements
December 31, 2021

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 \$3,322 of the General Fund balance has been restricted in compliance with this requirement.

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.

Deficit Fund Balance

The General Fund fund balance has a deficit at year end, it is anticipated that this will be eliminated in 2022 with the collection of additional transfers.

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 up to 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.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements
December 31, 2021

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

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

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	\$ 121,511
Cash and investments - Restricted	<u>3,322</u>
Total	\$ <u>124,833</u>

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

Deposits with financial institutions	\$ <u>124,833</u>
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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. 6

Notes to Financial Statements
December 31, 2021

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

As of December 31, 2021, the District did not have any investments.

Note 3: Debt Authorization

At an election held in May 2016, 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 \$100,000,000 to finance the costs of public improvements. At a subsequent election held in November 2018, 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 \$120,000,000 to finance the costs of public improvements. As of the date of this audit, the amount and timing of any debt issuances is not determinable. The Service Plan, as originally approved, includes a debt service limit of \$10,000,000 for all of the Districts. Per the First Amendment to the Service Plan, District No. 5 and the District can issue additional debt not in excess of \$7,500,000 total aggregate principal amount.

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. 6

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.

On May 3, 2016, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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

Note 6: Agreements

District Operating Services Agreement

On January 1, 2017 the Districts entered into a District Operating Services Agreement whereby the District was designated as the entity that will coordinate capital construction and financing activities on behalf of the Districts, and District No. 2, District No. 3, District No. 4 and District No. 5 were designated as the Taxing Districts. The Taxing Districts are responsible for all costs fees charges, and expenses incurred by the District through the imposition of a General Fund Mill Levy. The District is responsible for all administrative and operational services. The Taxing Districts may terminate the Operating Service Agreement upon 90 days written notice to the District.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

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 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, the District entered into a Construction Funding and Reimbursement Agreement with the Developer whereby the Developer agreed to advance funds to the District 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.

Operations Funding Agreement

On July 12, 2016, the District entered into an Operations Funding Agreement with the Developer whereby the Developer agreed to advance funds to the District for the payment of O&M costs incurred by 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.

Capital Fee Pledge Agreement

Capital Fee revenue consists of fees imposed by the District within the boundaries of the other Districts pursuant to the Capital Facilities Fee Resolution in an amount initially equal to \$1,500 for each single family attached or multi-family residential unit and in the amount of \$2,000 for each single family detached residential unit, payable on or before the date of issuance of a certificate of occupancy for such residential unit. The funds are collected by the District and transferred to District No. 4 for the payment of the Series 2018 Bonds and District No. 5 for payment on the Series 2019A Bonds and Series 2019B Bonds. In 2021, there were \$10,000 in fees collected for District No. 4 and no fees were collected for District No. 5.

ANTHOLOGY WEST METROPOLITAN DISTRICT NO. 6

Notes to Financial Statements
December 31, 2021

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.

SUPPLEMENTAL INFORMATION

Anthology West Metropolitan District No. 6

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
System development fees - District No. 5	\$ 192,000	\$ -	(192,000)
System development fees - District No. 4	<u>150,000</u>	<u>10,000</u>	<u>(140,000)</u>
Total Revenues	<u>342,000</u>	<u>10,000</u>	<u>(332,000)</u>
EXPENDITURES			
Transfer to District No. 4	150,000	10,000	140,000
Transfer to District No. 5	<u>192,000</u>	<u>-</u>	<u>192,000</u>
Total Expenditures	<u>342,000</u>	<u>10,000</u>	<u>332,000</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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