

EAGLE'S NEST METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position – Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	16

Board of Directors
Eagle's Nest Metropolitan District
Arapahoe County, Colorado

Independent Auditor's Report

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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
Lakewood, Colorado

July 25, 2022

EAGLE'S NEST METROPOLITAN DISTRICT

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	\$ 11,216	\$ -	\$ 11,216	\$ -	\$ 11,216
Cash and investments - restricted	-	375,260	375,260	-	375,260
Receivable - County Treasurer	1,904	1,039	2,943	-	2,943
Property taxes receivable	<u>315,285</u>	<u>171,974</u>	<u>487,259</u>	<u>-</u>	<u>487,259</u>
Total Assets	<u>\$ 328,405</u>	<u>\$ 548,273</u>	<u>\$ 876,678</u>	<u>-</u>	<u>876,678</u>
LIABILITIES					
Accounts payable	\$ 100	\$ -	\$ 100	-	100
Accrued interest on bonds	-	-	-	5,777	5,777
Due to other governmental entities	-	73,713	73,713	-	73,713
Long-term liabilities:					
Due within one year	-	-	-	39,000	39,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>988,000</u>	<u>988,000</u>
Total Liabilities	<u>100</u>	<u>73,713</u>	<u>73,813</u>	<u>1,032,777</u>	<u>1,106,590</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>315,285</u>	<u>171,974</u>	<u>487,259</u>	<u>-</u>	<u>487,259</u>
Total Deferred Inflows of Resources	<u>315,285</u>	<u>171,974</u>	<u>487,259</u>	<u>-</u>	<u>487,259</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	1,003	-	1,003	(1,003)	-
Debt service	-	302,586	302,586	(302,586)	-
Unassigned	<u>12,017</u>	<u>-</u>	<u>12,017</u>	<u>(12,017)</u>	<u>-</u>
Total Fund Balances	<u>13,020</u>	<u>302,586</u>	<u>315,606</u>	<u>(315,606)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 328,405</u>	<u>\$ 548,273</u>	<u>\$ 876,678</u>		
Net Position:					
Restricted for:					
Emergencies				1,003	1,003
Debt service				296,809	296,809
Unrestricted				<u>(1,014,983)</u>	<u>(1,014,983)</u>
Total Net Position				<u>\$ (717,171)</u>	<u>\$ (717,171)</u>

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

EAGLE'S NEST METROPOLITAN DISTRICT

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					
Accounting and audit	\$ 13,506	\$ -	\$ 13,506	\$ -	\$ 13,506
Insurance	3,271	-	3,271	-	3,271
Legal	9,407	-	9,407	-	9,407
Miscellaneous expenses	1,102	-	1,102	-	1,102
Treasurer's fees	4,482	2,445	6,927	-	6,927
Bond principal	-	294,000	294,000	(294,000)	-
Bond interest expense	-	89,168	89,168	(1,654)	87,514
Paying agent fees	2,000	-	2,000	-	2,000
Regional mill levy transfer	-	9,542	9,542	-	9,542
Developer advances - principal	11,869	-	11,869	(11,869)	-
Developer advances - interest	697	-	697	(515)	182
Total Expenditures	<u>46,334</u>	<u>395,155</u>	<u>441,489</u>	<u>(308,038)</u>	<u>133,451</u>
GENERAL REVENUES					
Property taxes	298,146	162,625	460,771	-	460,771
Specific ownership taxes	20,545	11,207	31,752	-	31,752
Interest income	661	519	1,180	-	1,180
Total General Revenues	<u>319,352</u>	<u>174,351</u>	<u>493,703</u>	<u>-</u>	<u>493,703</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	273,018	(220,804)	52,214	308,038	360,252
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(260,000)</u>	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(260,000)</u>	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	13,018	39,196	52,214	(52,214)	
CHANGE IN NET POSITION					
				360,252	360,252
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>2</u>	<u>263,390</u>	<u>263,392</u>	<u>(1,340,815)</u>	<u>(1,077,423)</u>
END OF YEAR	<u>\$ 13,020</u>	<u>\$ 302,586</u>	<u>\$ 315,606</u>	<u>\$ (1,032,777)</u>	<u>\$ (717,171)</u>

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

EAGLE'S NEST METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 298,097	\$ 298,146	\$ 49
Specific ownership taxes	20,867	20,545	(322)
Interest income	<u>5,477</u>	<u>661</u>	<u>(4,816)</u>
Total Revenues	<u>324,441</u>	<u>319,352</u>	<u>(5,089)</u>
EXPENDITURES			
Accounting and audit	12,600	13,506	(906)
Insurance	3,350	3,271	79
Legal	7,500	9,407	(1,907)
Miscellaneous expenses	1,000	1,102	(102)
Treasurer's fees	4,471	4,482	(11)
Paying agent fees	2,000	2,000	-
Repay developer advances	13,000	12,566	434
Contingency	21,875	-	21,875
Emergency reserve	<u>928</u>	<u>-</u>	<u>928</u>
Total Expenditures	<u>66,724</u>	<u>46,334</u>	<u>20,390</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	257,717	273,018	15,301
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(260,000)</u>	<u>(260,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(260,000)</u>	<u>(260,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,283)	13,018	15,301
FUND BALANCE:			
BEGINNING OF YEAR	<u>2,283</u>	<u>2</u>	<u>(2,281)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 13,020</u>	<u>\$ 13,020</u>

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

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Eagle's Nest Metropolitan District, located in the City of Aurora, Arapahoe 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 organized on November 29, 2007, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the property owners and taxpayers of the District. The District's primary revenues are property taxes. 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.

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 governmental funds statement of 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.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

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

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.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

Deposits

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

The District follows the practice of pooling cash 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.

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 in 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.

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.

EAGLE'S NEST METROPOLITAN DISTRICT

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.

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 \$1,003 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 \$302,586 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2008 (see Note 3).

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.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 other 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 can 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 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 is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 11,216
Cash and investments – Restricted	<u>375,260</u>
Total	<u>\$ 386,476</u>

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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

Deposits with financial institutions	\$ 78,011
Investments - CSAFE	<u>308,465</u>
	<u>\$ 386,476</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 does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

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

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or 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.

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. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the amortized cost method.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust ("CSAFE" or the "Trust"), is rated AA+mmf by Fitch Ratings with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. 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 \$308,465 invested in CSAFE which is held in trust accounts with BOK Financial.

Note 3: Long Term Debt

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

The District issued \$2,000,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2008 (the "Series 2008 Bonds") dated July 16, 2008. The Series 2008 Bonds were issued for the purposes of paying or reimbursing a portion of the costs of acquiring, constructing, relocating and installing certain public improvements, providing capitalized interest for payment of a portion of the interest of the Series 2008 Bonds, funding the Reserve Fund and paying the costs of issuance of the Series 2008 Bonds. The Series 2008 Bonds are term bonds due on December 1, 2037, with mandatory sinking fund payments which started at \$10,000 on December 1, 2011 and increasing annually thereafter. The Series 2008 Bonds bear interest at 6.75% per annum, payable semiannually on each June 1 and December 1, which commenced on December 1, 2008. The Series 2008 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000 on December 1, 2018, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. During 2018, 2019, 2020 and 2021, the District redeemed \$65,000, \$62,000, \$71,000 and \$260,000, respectively, of Bonds under this provision. During 2021, the District redeemed a total of \$294,000 under the optional and mandatory redemption provisions.

The Series 2008 Bonds are general obligations of the District secured by and payable from the Pledged Revenue, consisting of moneys derived by the District from a required mill levy, capital fees, the portion of specific ownership tax which is collected as a result of the imposition of the required mill levy and any other legally available moneys which the District determines to transfer to the Trustee for application as pledged revenue. The mill levy limitation can be removed when the ratio of the Series 2008 Bonds to the total assessed value of the property within the boundaries of the District is less than 50%. As of December 31, 2021, the balance in the reserve fund was \$189,425.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The Series 2008 Bonds were subject to mandatory excess funds redemption on December 1, 2011, in multiples of \$1,000, solely from any moneys held in the restricted project fund account on October 15, 2011. On December 1, 2011, \$279,000 in bonds were redeemed pursuant to this provision.

Developer Advance

On July 11, 2008, the District passed a resolution regarding Infrastructure Acquisition and Reimbursement ("Acquisition Resolution"). Pursuant to the Acquisition Resolution, the District acknowledged that Servicestar Development Company, LLC ("Servicestar Development") had incurred certain costs related to the public infrastructure for the benefit of the District and expects to incur additional costs. Per the Acquisition Resolution, the District will acquire Public Infrastructure constructed for the benefit of the District from Servicestar Development that is not otherwise being dedicated to other governmental entities, and to pay all reasonable costs thereto and will also reimburse Servicestar Development for any costs incurred by Servicestar Development for Public Infrastructure that is being dedicated to third parties on behalf of the District. The District Eligible Costs shall bear simple interest at a rate of 8% per annum from the date of acceptance by the District or other governmental entity of the respective public infrastructure improvement to the date of payment of such amount in full. The District intends to repay all District Eligible Costs, together with interest thereon, subject to annual appropriation and budget approval. On November 6, 2016, the District, Servicestar Development, and Servicestar Capital Partners, LLC (the "Developer") entered into an Assignment of Reimbursement Rights and Revenues, where Servicestar Development assigned the Developer all amounts payable now and hereafter from the District to Servicestar Development under the Acquisition Resolution. In 2017, 2018, 2019, 2020 and 2021, the District repaid Developer Advances, both advances and accrued interest, in the amount of \$165,000, \$215,000, \$215,000, \$230,000 and \$12,566, respectively.

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

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Current Portion
<u>General Obligation Bonds</u>					
General Obligation Bonds Series 2008	\$ 1,321,000	\$ -	\$ (294,000)	\$ 1,027,000	\$ 39,000
Total	1,321,000	-	(294,000)	1,027,000	39,000
<u>Other</u>					
Developer Advance - Capital	11,869	-	(11,869)	-	-
Developer accrued interest - Capital	515	182	(697)	-	-
Total	12,384	182	(12,566)	-	-
	\$ 1,333,384	\$ 182	\$ (306,566)	\$ 1,027,000	\$ 39,000

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The Developer Advance Capital and Accrued Interest are paid by the General Fund.

The following is a summary of the annual long-term debt principal and interest requirements for the General Obligation Bonds Series 2008.

	Principal	Interest	Total
2022	\$ 39,000	\$ 69,322	\$ 108,322
2023	43,000	66,690	109,690
2024	47,000	63,788	110,788
2025	52,000	60,615	112,615
2026	60,000	57,105	117,105
2027-2031	375,000	218,361	593,361
2032-2035	411,000	70,268	481,268
	<u>\$ 1,027,000</u>	<u>\$ 606,149</u>	<u>\$ 1,633,149</u>

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$208,000,000. The District has not budgeted to issue any additional debt in 2022. Per the District's Service Plan and the Intergovernmental Agreement with the City of Aurora, the District shall have the authority to issue debt for regional improvements in an amount not to exceed \$15,000,000.

Note 4: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 5: 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.

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.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 6: 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 commercial 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 7: Interfund and Operating Transfers

The transfer of \$260,000 from the General Fund to the Debt Service Fund was transferred for the purpose of the optional redemption of a portion of the District's Series 2008 Bonds.

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 elements:

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

The Statement of Governmental Fund 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 repayments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 9: Other Agreements

On November 10, 2008, and amended September 13, 2012, the District entered into an Aurora Regional Improvement No. 5 Establishment Agreement (the "Establishment Agreement"), pursuant to the City IGA in Note 10, regarding the regional mill levy. Per the Establishment Agreement, the District, City of Aurora, Cornerstar Metropolitan District, Wheatlands Metropolitan District and Aurora Crossroads Metropolitan Districts Nos. 1-3 established the Aurora Regional Improvement Authority No. 5 (the "Authority"). In 2018, the District entered into an Aurora Regional Improvement Authority No. 5 Second Amendment to Establishment Agreement to add Iliff Commons Metropolitan District No. 3 and Murphy Creek Metropolitan District Nos 1, 2, 4 and 5 as members of the Authority. In 2017, Wheatlands Metropolitan District withdrew from the Authority. The Authority was organized for the purpose of planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing the Regional Improvements designated in the ARI Master Plans, as defined in the Aurora Model Service Plan from the ARI mill levy revenues and/or the proceeds of revenue bonds to be issued by the Authority. Each of the Districts that is a party to this Establishment Agreement agrees that the Authority may fund its operations with the ARI mill levy revenues transferred to the Authority from each District. The amount of money necessary to fund the operations of the Authority shall be allocated on a pro-rata basis between all of the Districts. In the event there is a shortfall in funds necessary to operate the Authority, each District agrees to advance funds to the Authority on a pro-rata basis. The Authority shall reimburse any operational advances from the ARI mill levy revenue received from each respective district. Until such time as there is a unanimous vote of the Members of the Authority, or a unanimous vote of a Project Committee, requiring the ARI mill levy revenue to be transferred to the Authority, the ARI mill levy revenue shall be held by the Districts. As of December 31, 2021, the Authority has not requested transfer of the funds to the Authority. On September 13, 2012, the District entered into a Project Committee Agreement. Per the Project Committee Agreement, the District, Cornerstar Metropolitan District and Wheatlands Metropolitan District gave the authority to Wheatlands Metropolitan District to use revenues from the Wheatlands ARI mill levy for the ARI Master Plan approved by the Authority. On November 12, 2012, the District entered into a Project Committee Agreement (the "November 2012 Agreement"). Per the November 2012 Agreement, the District, Cornerstar Metropolitan District and Wheatlands Metropolitan District gave the authority to Cornerstar Metropolitan District to use revenues from the Cornerstar ARI mill levy for the ARI Master Plan approved by the Authority. As of December 31, 2021, \$73,713 is recorded as a payable under the Establishment Agreement.

EAGLE'S NEST METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 10: Intergovernmental Agreements

On December 10, 2007, the District entered into an Intergovernmental Agreement with the City of Aurora (the "City IGA"). Under the City IGA, the District must obtain the approval of the Aurora City Council prior to any inclusion of property outside of the service area into the boundaries of the District. Prior to issuance of any privately placed debt, the District shall obtain a certificate from an External Financial Advisor certifying the reasonableness of the interest rate and the structure. Pursuant to the City IGA, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to the City under certain circumstances. The City IGA requires the District to dedicate the public improvements to the City of Aurora or other appropriate jurisdiction for ownership and maintenance consistent with the approved development plan. The District is authorized, but not obligated to, operate and maintain the park and recreation improvements. Per the City IGA, the District shall not issue debt in excess of \$15,000,000.

SUPPLEMENTAL INFORMATION

EAGLE'S NEST METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 153,565	\$ 153,590	\$ 25
Property taxes regional mill levy	9,033	9,035	2
Specific ownership taxes	10,750	10,584	(166)
Specific ownership taxes regional mill levy	632	623	(9)
Interest income	<u>2,987</u>	<u>519</u>	<u>(2,468)</u>
Total Revenues	<u>176,967</u>	<u>174,351</u>	<u>(2,616)</u>
EXPENDITURES			
Bond principal	414,000	294,000	120,000
Bond interest expense	93,960	89,168	4,792
Regional mill levy transfer	9,530	9,542	(12)
Treasurer's fees	2,509	2,309	200
Treasurer's fees regional mill levy	<u>135</u>	<u>136</u>	<u>(1)</u>
Total Expenditures	<u>520,134</u>	<u>395,155</u>	<u>124,979</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(343,167)	(220,804)	122,363
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>260,000</u>	<u>260,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>260,000</u>	<u>260,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(83,167)	39,196	122,363
FUND BALANCE:			
BEGINNING OF YEAR	<u>273,711</u>	<u>263,390</u>	<u>(10,321)</u>
END OF YEAR	<u>\$ 190,544</u>	<u>\$ 302,586</u>	<u>\$ 112,042</u>

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