

SUNLIGHT METROPOLITAN DISTRICT
CITY OF STEAMBOAT SPRINGS, COLORADO

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sunlight Metropolitan District
Steamboat Springs, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Sunlight 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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, 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial



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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 generally accepted auditing standards, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The debt service fund budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of



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the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the debt service fund budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
May 13, 2022

Sunlight Metropolitan District
Management's Discussion and Analysis
December 31, 2021

As management of Sunlight Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Current year to prior year comparisons will be presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District utilized two governmental funds for 2021; the General Fund, and the Debt Service Fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. The governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities on pages 11 and 13 of this report.

The District adopts an annual appropriated budget for each of its governmental funds. Budgetary comparisons for all funds have been provided on pages 22-23 to demonstrate compliance with this budget.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 14 of this report.

Government-wide Financial Analysis: The following tables show condensed financial information derived from the government-wide financial statements of the District which compares 2021 to 2020:

Statement of Net Position

	2021	2020
Assets:		
Current and other assets	\$ 586,871	\$ 560,102
Capital assets, net	1,032,684	1,063,265
Total Assets	1,619,555	1,623,367
Liabilities:		
Current and other liabilities	6,642	9,804
Long-term liabilities	4,964,114	4,740,176
Total Liabilities	4,970,756	4,749,980
Deferred Inflows:		
Property taxes	196,315	144,506
Total Deferred Inflows	196,315	144,506
Net Position:		
Net investment in capital assets	(3,931,430)	(3,676,911)
Restricted	339,928	365,125
Unrestricted	43,986	40,667
Total Net Position	\$ (3,547,516)	\$ (3,271,119)

Statement of Activities

	2021	2020
General revenues:		
Property taxes	\$ 154,889	\$ 145,792
Interest income	309	484
Total revenues	\$ 155,198	\$ 146,276
Expenses:		
General government	\$ 137,907	\$ 291,343
Interest on long-term debt	293,688	255,278
Asset conveyed to others	-	2,986,618
Total expenses	\$ 431,595	\$ 3,533,239
Change in net position	\$ (276,397)	\$ (3,386,963)
Net position, beginning	(3,271,119)	115,844
Net position, ending	\$ (3,547,516)	\$ (3,271,119)

Government-wide Financial Analysis. The District’s primary responsibility is to provide snowplowing on the sidewalks and alleyways and landscape maintenance on the District’s open space and parks as well as service the Bonds issued to finance the infrastructure of the community. The District’s overall financial position, as measured by net position, decreased by \$276,397, due primarily to accrual of interest on the balances still owed to the developer. The unrestricted net position is being held to be used for future year’s operating and capital replacement expenditures.

Financial Analysis of the District’s Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, the assigned and unassigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

General Fund revenue increased slightly in 2021 to \$66,449 compared to \$62,676 in 2020. The increase is due to a slight increase in the assessed valuation. General Fund expenditures were \$100,847 in 2021 compared to \$79,981 in 2020. The increase is due to increased operational and administrative expenditures.

Debt Service Fund revenue was \$88,749 in 2021 and \$83,600 in 2020 (excluding bond proceeds of \$2,175,000 in 2020). The increase is due to a slight increase in the assessed valuation. Debt Service Fund expenditures were \$115,229 in 2021 and \$1,895,355 in 2020. The primary reason for the decrease was the one-time cost of issuance expenditures related to issuance of the Series 2020 Bonds and the developer repayment for infrastructure in 2020.

Capital Fund revenues and expenditures in 2021 were \$0 and \$3,935,333 in 2020. The decrease was due to the acceptance of infrastructure funded with advances from the Developer in 2020 and no activity in 2021.

As of the end of 2021, the District's governmental funds reported an ending fund balance of \$383,914 a decrease of \$21,878 from the prior year. Of the fund balance, \$3,163 is restricted for emergencies, \$336,765 is restricted for debt service, \$24,669 is assigned for the 2022 budget deficit, and the remaining \$19,317 is unassigned.

Budget variances: The General Fund ending fund balance finished the year \$20,868 ahead of the amended budget. The General Fund Budget was amended for additional accounting costs related to the first year of the audit and additional costs related to bond disclosure requirements. A budget to actual schedule for the General Fund can be found as part of the supplementary information on page 22 of this report.

The Debt Service Fund ending fund balance finished the year \$13,625 positive to the budget due a budgeted contingency that was not expended. A budget to actual schedule for the Debt Fund can be found as part of the supplementary information on page 23 of this report.

The Capital Projects Fund reported no activity in 2021.

Capital Assets: During 2021 the District had a net decrease in capital assets of \$30,581 due to depreciation expense on infrastructure. For more detail on capital assets see Note D on page 18 of this report.

Long-term debt: The District's overall debt increased by \$39,000 in 2021 due to an increase in the developer note for an operational advance. For more detail on long-term debt see Note E on page 19 of this report.

Request for Information: This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sunlight Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 (970) 926-6060.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities
Assets	
Current assets	
Cash and investments	\$ 389,871
Due from County Treasurer	685
Property taxes receivable	196,315
Total current assets	586,871
Noncurrent assets	
Land	137,487
Infrastructure assets	247,913
Parks and recreation capital assets	700,802
Accumulated depreciation	(53,518)
Total noncurrent assets	1,032,684
Total assets	1,619,555
Liabilities	
Current liabilities	
Accounts payable	6,642
Total current liabilities	6,642
Noncurrent liabilities	
Accrued interest payable	442,555
Developer advance	2,346,559
Bonds payable	2,175,000
Total noncurrent liabilities	4,964,114
Total liabilities	4,970,756
Deferred inflows of resources	
Property taxes	196,315
Total deferred inflows of resources	196,315
Total liabilities and deferred inflows of resources	5,167,071
Net position	
Net investment in Capital Assets	(3,931,430)
Restricted for emergencies	3,163
Restricted for debt service	336,765
Unrestricted	43,986
Total net position	\$ (3,547,516)

The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Debt Service Fund	Total
Assets			
Cash and investments	\$ 53,497	\$ 336,374	\$ 389,871
Receivables			
Due from county treasurer	294	391	685
Property taxes receivable	84,135	112,180	196,315
Total assets	<u>137,926</u>	<u>448,945</u>	<u>586,871</u>
Liabilities			
Accounts payable	6,642	-	6,642
Total liabilities	<u>6,642</u>	<u>-</u>	<u>6,642</u>
Deferred inflows of resources			
Property taxes	84,135	112,180	196,315
Total deferred inflows of resources	<u>84,135</u>	<u>112,180</u>	<u>196,315</u>
Fund balance			
Restricted for emergencies	3,163	-	3,163
Restricted for debt service	-	336,765	336,765
Assigned for 2022 budget deficit	24,669	-	24,669
Unassigned	19,317	-	19,317
Total fund balance	<u>\$ 47,149</u>	<u>\$ 336,765</u>	<u>\$ 383,914</u>

The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

For the year ended December 31, 2021

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

Total fund balance - governmental funds	\$	383,914
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives.		1,032,684
Accrued interest on long-term obligations are not due and payable in the current period and, therefore, are not recognized in the funds.		(442,555)
Long-term liabilities are not due and payable in the current period and therefore are not recognized in the funds.		<u>(4,521,559)</u>
Net position of governmental activities	\$	<u><u>(3,547,516)</u></u>

The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

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

For the year ended December 31, 2021

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property tax	\$ 61,931	\$ 82,575	\$ 144,506
Specific ownership taxes	4,450	5,933	10,383
Net investment income	68	241	309
Total revenues	<u>66,449</u>	<u>88,749</u>	<u>155,198</u>
Expenditures			
Current			
Accounting & administration	27,820	-	27,820
Audit	5,300	-	5,300
Elections	26	-	26
Insurance	2,976	-	2,976
Legal	4,890	-	4,890
Treasurer's fees	1,859	2,479	4,338
Landscape maintenance	17,200	-	17,200
Manager	6,000	-	6,000
Snow removal	11,500	-	11,500
Irrigation maintenance	14,782	-	14,782
Utilities	6,836	-	6,836
Miscellaneous	1,658	-	1,658
Debt service			
Paying agent fees	-	4,000	4,000
Bond interest	-	108,750	108,750
Total expenditures	<u>100,847</u>	<u>115,229</u>	<u>216,076</u>
Excess of revenues over expenditures before other financing sources (uses)	(34,398)	(26,480)	(60,878)
Other financing sources (uses)			
Developer advance proceeds	39,000	-	39,000
Total other financing sources (uses)	<u>39,000</u>	<u>-</u>	<u>39,000</u>
Excess of revenues and other financing sources and (uses) over expenditures	4,602	(26,480)	(21,878)
Fund balance - beginning of year	42,547	363,245	405,792
Fund balance - end of year	<u>\$ 47,149</u>	<u>\$ 336,765</u>	<u>\$ 383,914</u>

The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

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

Net Change in Fund Balances - Governmental Funds	\$	(21,878)
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Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:

	Capital additions	\$	-	
	Depreciation expense		<u>(30,581)</u>	(30,581)

Accrued interest on long term obligations are not due and payable in the current period and, therefore, are not recognized in the funds. This is the amount by which the liability changed between the current and prior year.		(184,938)
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Changes in long term obligations are recognized as other financing sources and payments of principal in the funds but as additions and reductions of long term liabilities in the government wide statements.		
Developer advance proceeds		<u>(39,000)</u>

Change in net position of governmental activities	\$	<u><u>(276,397)</u></u>
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The accompanying notes are an integral part of these financial statements.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sunlight Metropolitan District, (the District), located in the City of Steamboat Springs, Colorado (the City), conform to 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 the financial statements.

Reporting entity

The District was organized in 2016 and is governed by a five-member elected Board of Directors. On November 8, 2016 an Order and Decree Creating the District was approved. 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 was organized to provide various public improvements necessary and appropriate for the development of the Sunlight Steamboat project. The public improvements, which include streets, water, sewer, traffic and safety controls, parks and recreation, and other improvements are being constructed for the benefit of the taxpayers and service users within the Districts' boundaries.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District has no component units as defined by GASB and is not a component unit of any other primary government.

The District has no employees and all services are contracted.

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the financial activities of the District.

The statement of net position presents the financial position of the governmental activities at the end of the year. The statement of activities demonstrates the degree to which the direct 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 charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 flow.

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 sixty days of the end of the current fiscal period.

The District reports the following governmental funds:

The General fund is the general operating fund of the District. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Fair value of financial statements

The District's financial instruments include cash and investments, accounts receivable, accounts payable, and accrued expenses. 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.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Taxes

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

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes - continued

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

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 will not be recognized as an outflow of resources (expense/expenditure) until then.

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 will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

Capital assets

Capital assets defined by the District as infrastructure assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Infrastructure assets are depreciated using the straight-line method over the estimated useful life of between 15 and 40 years.

Fund equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance that is constrained to be used for specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund equity – continued

Assigned fund balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s policy to use the most restrictive classification first.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

The District conforms to the following procedures in compliance with Colorado Revised Statutes in establishing the budgetary data reflected in the financial statements:

In the fall of each year, the District’s Board of Directors prepares a proposed operating budget for the fiscal year commencing the following January 1. The operating budget for the funds includes proposed expenses and the means of financing them.

A public hearing is held at a Board of Directors meeting to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget resolution. The 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 District had one supplemental appropriation during the year ended December 31, 2021.

NOTE C – CASH AND INVESTMENTS

Cash and investments

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

Statement of net position:

Deposits	\$ 33,612
COLOTRUST	356,259
Cash and investments	<u>\$ 389,871</u>

Custodial and concentration of credit risk

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CASH AND INVESTMENTS - CONTINUED

Custodial and concentration of credit risk - continued

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. As of December 31, 2021, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

The District has not adopted a formal investment policy; however, the District follows Colorado Revised Statutes regarding its investments. Colorado Revised 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 U.S. government agency entities, certain money market funds, guaranteed investment contracts and local government investment pools.

During 2021, the District was invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST or Trust) Prime Fund. COLOTRUST is a local government investment pool with a stable net asset value measured at fair value per share. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operation similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities and certain obligations of U.S. government agencies. The Trust does not have any limitations or restrictions on participant withdrawals.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2021</u>
Governmental Activities:				
Capital assets, nondepreciable:				
Land	\$ 137,487	\$ –	\$ –	\$ 137,487
Capital assets, depreciable:				
Parks and recreation	247,913	–	–	247,913
Street facilities	700,802	–	–	700,802
Total capital assets being depreciated	948,715	–	–	948,715
Less accumulated depreciation	(22,937)	(30,581)	–	(53,518)
Depreciable capital assets, net	925,778	(30,581)	–	895,197
Total capital assets, net	<u>\$ 1,063,265</u>	<u>\$ (30,581)</u>	<u>\$ –</u>	<u>\$ 1,032,684</u>

Depreciation expense of \$30,581 was charged to the general government function.

Sunlight Metropolitan District
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE E – LONG-TERM LIABILITIES

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

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Governmental Activities				
Developer note, operations	\$ 71,000	\$ 39,000	\$ –	\$ 110,000
Developer note, capital	2,236,559	–	–	2,236,559
General obligation bonds, Series 2020	2,175,000	–	–	2,175,000
Total	\$ 4,482,559	\$ 39,000	\$ –	\$ 4,521,559

Developer Notes

The District entered into a Facilities Acquisition Agreement dated May 10, 2017, authorizing the Developer to construct or cause the construction of certain improvements necessary for development of property within the District. As part of this agreement, it was anticipated that the District would issue bonds, the proceeds of which could be used in part to reimburse the Developer for organization expenses, the cost of improvements, and other construction costs. Outstanding balances accrue simple interest until paid, at the rate of 8% per annum.

During 2020, the Developer conveyed \$3,935,333 in capital assets to the District in accordance with this agreement.

Series 2020 Limited Tax General Obligation Bonds

In November 2020, the District issued limited tax general obligation bonds totaling \$2,175,000. The bonds mature at various dates through December 1, 2050 and carry an interest rate of 5%. The bond proceeds were used to pay a portion of the District's obligations to the Developer.

The future debt service requirements of the bonds are set forth below.

Year Ending December 31,	Principal	Interest	Total
2022	\$ –	\$ 108,750	\$ 108,750
2023	–	108,750	108,750
2024	–	108,750	108,750
2025	15,000	108,750	123,750
2026	25,000	108,000	133,000
2027-2031	180,000	517,000	697,000
2032-2036	275,000	463,750	738,750
2037-2041	390,000	384,000	774,000
2042-2046	545,000	271,750	816,750
2047-2050	745,000	108,250	853,250
Total	\$ 2,175,000	\$ 2,287,750	\$ 4,462,750

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE G – SIGNIFICANT AGREEMENTS

District Operation Funding Agreement

The District entered into an Operation Funding Agreement (the "Agreement") dated October 8, 2020, amending the District Operating Agreement dated May 10, 2017. The Agreement generally provides that the District will not have sufficient revenues to provide service, and that the Developer will provide shortfall funding for operations that benefit the District through 2021.

NOTE G – RELATED PARTIES

The District's Board of Directors are either officers or employees of or have business or professional relationships with the Developer for the year ended December 31, 2021.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of nature.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability and public official's liability, coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2021.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and 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 increase 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 emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS – CONTINUED

On November 8, 2016, a majority of the District’s electors authorized the District (1) to increase taxes annually unlimited as to rate or amount by the imposition of an ad valorem property tax levy to be in effect for the life of the debt, and (2) to collect, keep, and expend all District revenue during 2017, and continuing thereafter without regard to limitation under TABOR.

Also, on November 8, 2016, the voters of the District authorized the issuance of \$12,000,000 in debt, \$98,400,000 in contractual obligations, and approved an increase in the property tax revenue to pay such debt and obligations.

The District has made certain interpretations of the amendment's language in order to determine its compliance.

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues				
Property tax	\$ 61,931	\$ 61,931	\$ 61,931	\$ -
Specific ownership taxes	3,716	3,716	4,450	734
Net investment income	-	100	68	(32)
Total revenues	<u>65,647</u>	<u>65,747</u>	<u>66,449</u>	<u>702</u>
Expenditures				
Accounting & administration	20,000	30,000	27,820	2,180
Audit	5,300	5,300	5,300	
Elections	-	-	26	(26)
Insurance	3,530	3,530	2,976	554
Legal	7,000	7,000	4,890	2,110
Treasurer's fees	1,858	1,858	1,859	(1)
Landscape maintenance	17,115	17,115	17,200	(85)
Manager	6,000	6,000	6,000	-
Snow removal	18,000	18,000	11,500	6,500
Irrigation maintenance	10,460	10,460	14,782	(4,322)
Utilities	8,500	8,500	6,836	1,664
Miscellaneous	3,250	3,250	1,658	1,592
Contingency	5,000	10,000	-	10,000
Total expenditures	<u>106,013</u>	<u>121,013</u>	<u>100,847</u>	<u>20,166</u>
Excess of revenues over (under) expenditures	(40,366)	(55,266)	(34,398)	20,868
Other financing sources				
Developer advances	<u>30,000</u>	<u>39,000</u>	<u>39,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures	(10,366)	(16,266)	4,602	20,868
Fund balance - beginning of year	<u>36,954</u>	<u>42,547</u>	<u>42,547</u>	<u>-</u>
Fund balance - end of year	<u>\$ 26,588</u>	<u>\$ 26,281</u>	<u>\$ 47,149</u>	<u>\$ 20,868</u>

Sunlight Metropolitan District
City of Steamboat Springs, Colorado

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues				
Property tax	\$ 82,575	\$ 82,575	\$ 82,575	\$ -
Specific ownership taxes	4,954	4,954	5,933	979
Net investment income	500	500	241	(259)
Total revenues	<u>88,029</u>	<u>88,029</u>	<u>88,749</u>	<u>720</u>
Expenditures				
County Treasurer's fees	2,477	2,477	2,479	(2)
Paying agent fees	4,000	4,000	4,000	-
Bond interest	108,750	108,750	108,750	-
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>125,227</u>	<u>125,227</u>	<u>115,229</u>	<u>9,998</u>
Excess of revenues over expenditures	(37,198)	(37,198)	(26,480)	10,718
Fund balance - beginning of year	<u>360,338</u>	<u>360,338</u>	<u>363,245</u>	<u>2,907</u>
Fund balance - end of year	<u><u>\$ 323,140</u></u>	<u><u>\$ 323,140</u></u>	<u><u>\$ 336,765</u></u>	<u><u>\$ 13,625</u></u>