

Golden Eagle Acres Metropolitan District No. 1

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Golden Eagle Acres Metropolitan District No. 1
Town of Severance, CO

Opinion

We have audited the financial statements of governmental activities, business-type activities and the governmental funds of the Golden Eagle Acres Metropolitan District No. 1 (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, the business-type activities, and each major fund of the Golden Eagle Acres Metropolitan District, as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 US 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - continued

In performing an audit in accordance with US 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

Management's Discussion and Analysis

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

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Golden Eagle Acres Metropolitan District No. 1 taken as a whole. The supplementary information on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management of the District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marc, James and Associates, PC

Highlands Ranch, Colorado
August 24, 2022

BASIC FINANCIAL STATEMENTS

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities	Business-Type Activities	Adjustments	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 31,437	\$ 16,813	\$ -	\$ 48,250
User accounts receivable	-	3,298	-	3,298
Other receivables	417	2,000	-	2,417
Total current assets	31,854	22,111	-	53,965
NON-CURRENT ASSETS				
Capital assets, net of accumulated depreciation	-	1,705,822	-	1,705,822
Total assets	31,854	1,727,933		1,759,787
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	5,434	1,355	-	6,789
Accrued interest payable	-	17,430	1,441	18,871
Other accrued liabilities	-	429	-	429
Total current liabilities	5,434	19,214	1,441	26,089
NON-CURRENT LIABILITIES				
Developer advance	-	421,573	62,710	484,283
Promissory note				-
Due within one year	-	80,000	-	80,000
Due after one year	-	1,120,000	-	1,120,000
Total non-current liabilities	-	1,621,573	62,710	1,684,283
NET POSITION				
Investment in capital assets, net of related debt	-	66,819	-	66,819
Restricted	3,600	-	-	3,600
Unrestricted	22,820	20,327	(64,151)	(21,004)
Total net position	\$ 26,420	\$ 87,146	\$ (64,151)	\$ 49,415

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Governmental Activities	Business-Type Activities	Adjustments	Total
OPERATING REVENUE				
Irrigation water	\$ -	\$ 38,093	\$ -	\$ 38,093
Design review fees	5,550	-	-	5,550
Total operating revenue	5,550	38,093	-	43,643
OPERATING EXPENSES				
Operations	5,037	8,432	-	13,469
General and administration	98,268	9,790	-	108,058
Landscaping	16,076	-	-	16,076
Depreciation	-	29,754	-	29,754
Total operating expenses	119,381	47,976	-	167,357
OPERATING LOSS	(113,831)	(9,883)	-	(123,714)
NON-OPERATING REVENUES (EXPENSES)				
Development fees	12,500	-	-	12,500
Cancellation of accrued interest payable	-	154,110	-	154,110
Intergovernmental	102,031	-	-	102,031
Repayment of developer advance	(3,493,249)	-	3,493,249	-
Transfer in	3,502,349	173,511	-	3,675,860
Interest income	100	173	-	273
Interest expense	(9,100)	(74,389)	(4,253)	(87,742)
Assumption of debt	-	-	(3,493,249)	(3,493,249)
Net non-operating revenues (expense)	114,631	253,405	(4,253)	363,783
CHANGE IN NET POSITION	800	243,522	(4,253)	240,069
NET POSITION - beginning	25,620	(156,376)	(59,898)	(190,654)
NET POSITION - ending	\$ 26,420	\$ 87,146	\$ (64,151)	\$ 49,415

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

Golden Eagle Acres Metropolitan District No. 1

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2021

ASSETS

Cash and cash equivalents	\$ 31,437
Other receivables	<u>417</u>
Total assets	<u>\$ 31,854</u>

LIABILITIES

Accounts payable	\$ 5,434
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FUND BALANCE

Restricted	3,600
Unrestricted	<u>22,820</u>

Total fund balance	<u>26,420</u>
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Total liabilities and fund balance	<u>\$ 31,854</u>
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The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND

For the Year Ended December 31, 2021

REVENUES	
Design review fees	\$ 5,550
Development fees	12,500
Intergovernmental	102,031
Interest income	<u>100</u>
Total revenues	120,181
EXPENDITURES	
Operations	5,037
General and administration	98,268
Landscaping	<u>16,076</u>
Total expenditures	<u>119,381</u>
REVENUES IN EXCESS OF EXPENDITURES	800
OTHER SOURCES AND (USES)	
Repayment of developer advance	(3,493,249)
Transfer in	3,502,349
Interest expense	<u>(9,100)</u>
Net other sources and uses	<u>-</u>
CHANGE IN FUND BALANCE	800
FUND BALANCE - beginning	<u>25,620</u>
FUND BALANCE - ending	<u>\$ 26,420</u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET TO ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
Design review fees	\$ 5,000	\$ 5,550	\$ 550
Development fees	37,500	12,500	(25,000)
Intergovernmental	103,163	102,031	(1,132)
Interest income	-	100	100
	<u>145,663</u>	<u>120,181</u>	<u>(25,482)</u>
Total revenues			
EXPENDITURES			
Operating	5,000	5,037	(37)
General and administration	75,148	98,268	(23,120)
Landscaping	40,000	16,076	23,924
	<u>120,148</u>	<u>119,381</u>	<u>767</u>
Total expenditures			
REVENUES OVER EXPENDITURES	25,515	800	(26,249)
OTHER SOURCES AND (USES)			
Repayment of developer advance	-	(3,493,249)	3,493,249
Interest expense	-	(9,100)	9,100
Transfer in	-	3,502,349	(3,502,349)
Transfers out	(18,750)	-	(18,750)
	<u>(18,750)</u>	<u>-</u>	<u>(18,750)</u>
Net other uses			
CHANGE IN FUND BALANCE	<u>\$ 6,765</u>	<u>\$ 800</u>	<u>\$ (5,965)</u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF NET POSITION - PROPRIETARY FUND -
WATER ENTERPRISE FUND

December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 16,813
User accounts receivable	3,298
Other receivables	<u>2,000</u>

Total current assets 22,111

NON-CURRENT ASSETS

Capital assets, net of accumulated depreciation	<u>1,705,822</u>
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Total assets 1,727,933

LIABILITIES

CURRENT LIABILITIES

Accounts payable	1,355
Accrued interest payable	17,430
Other	<u>429</u>

Total current liabilities 19,214

NON-CURRENT LIABILITIES

Developer advance	421,573
Promissory note	
Due within one year	80,000
Due after one year	<u>1,120,000</u>

Total non-current liabilities 1,621,573

NET POSITION

Investment in capital assets, net of related debt	66,819
Unrestricted	<u>20,327</u>

Total net position \$ 87,146

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION -
 PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year Ended December 31, 2021

OPERATING REVENUES	
User fees and surcharges	\$ 38,093
OPERATING EXPENDITURES	
Operations	8,432
General and administrative	9,790
Depreciation	<u>29,754</u>
Total operating expenditures	<u>47,976</u>
OPERATING LOSS	(9,883)
NON-OPERATING REVENUES (EXPENSE)	
Transfer in from District No. 2	173,511
Cancellation of accrued interest	154,110
Interest income	173
Interest expense	<u>(74,389)</u>
Net non-operating income	253,405
CHANGE IN NET POSITION	243,522
NET POSITION - beginning	<u>(156,376)</u>
NET POSITION - ending	<u>\$ 87,146</u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 33,843
Payments to suppliers	<u>(17,390)</u>
Net cash provided by operating activities	16,453
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	173
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of advance from developer	(173,511)
Transfer from District No.2	<u>173,511</u>
Net cash from financing activities	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	16,626
CASH AND CASH EQUIVALENTS - beginning	<u>187</u>
CASH AND CASH EQUIVALENTS - ending	<u><u>\$ 16,813</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (9,883)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	29,754
Changes in assets and liabilities	
Accounts receivable	(4,250)
Accounts payable	503
Other accrued liabilities	<u>329</u>
Net cash provided by operating activities	<u><u>\$ 16,453</u></u>
NON-CASH ACTIVITIES	
Cancellation of accrued interest	\$ 154,110

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Golden Eagle Acres Metropolitan District No. 1 (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was formed, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in August 2017, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed in conjunction with Golden Eagle Acres Metropolitan District Nos. 2 (“District No. 2”) and 3, (the “Districts”). The District serves as the Coordinating District, along with District Nos. 2 and 3, serving as the Financing Districts. The District is governed by a five-member Board of Directors. The District is located in the Town of Severance, Colorado.

The Districts were formed to serve the needs of the approximately 160-acre Golden Eagle Acres mixed-use development being developed by Golden Eagle Acres, LLC (“the Developer”).

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Reporting Framework

Business-Type Activities

The accounting policies of the District's business-type activities conform to generally accepted accounting principles as applicable to governmental units accounted for as an enterprise fund. The enterprise fund is used for the business-type activities since the District's irrigation water operations are operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District's business-type financial statements are maintained using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of when the cash is received and distributed.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing business of providing services. The District's primary business-type activities operating revenues are from charges to customers for sales of irrigation water. Operating expenses include the cost of sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Activities

The governmental activities financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

For 2021, the District has one Governmental Fund:

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

Additionally, the District has one Proprietary fund:

- *Water Enterprise Fund* - The Water Enterprise Fund is used to account for those operations financed and operated in a manner similar to a private business or where the Board of Directors has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the District is that the costs of providing services on a continuing basis be financed or recovered primarily through user charges.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, unrestricted demand deposits and money market accounts, as applicable.

4. *Fair Value of Financial Instruments*

The District's financial instruments include various accounts receivable, accounts payable and accrued liabilities. The District estimates that the fair value of these financial instruments as of December 31, 2021, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

5. *Capital Assets*

The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation, if applicable, is to be provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the capital assets.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred, if applicable.

It is the intent of the District to convey the majority of the acquired or constructed capital assets to the Town of Severance or other local governmental entities, as applicable. Capital assets that are not conveyed are subject to depreciation using the straight-line method over their estimated useful lives of 20 years.

6. *Property Taxes*

Property taxes are levied on December 15 and attach an enforceable lien on the respective property on January 1. Taxes are payable in full on or before April 30 or in two installments on February 28 and June 15. The County Treasurer collects and remits the property taxes to the District on a monthly basis.

For 2021, the District did not have a property tax levy.

Districts No. 2 and 3 in their capacity as the Financing Districts levy and collect property taxes and then transfers the property taxes to the District under an intergovernmental service agreement. For 2021, the Districts transferred property taxes to the District in the amount of \$102,031 which is reflected as intergovernmental revenue.

7. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of District management's estimates that may affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses as applicable, during the reporting period. These estimates are based upon District management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund and Debt Service Fund. An annual appropriated budget is adopted at the total fund expenditure level and the annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – BUDGET INFORMATION - *continued*

On or before October 15, the District's Treasurer and/or the District's Manager submits a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of moneys, if applicable, may need approval by the Board of Directors in the same manner as the adoption of the budget.

As discussed in NOTE A6, the District did not have property tax for 2021.

For 2021, the District's General Fund budgeted revenues exceeded budgeted expenditures and other uses by \$6,765. The District's Board of Directors amended the 2021 budget of the Water Enterprise Fund and the budgeted revenues exceeded the budgeted expenditures by \$17,796. It was anticipated that the current year surplus would be used in subsequent years.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions 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 uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is 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's funds were held in eligible public depositories.

Golden Eagle Acres Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – CAPITAL ASSETS

The changes in the District’s capital assets for the year ended December 31, 2021, are as follows:

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Non-depreciable				
Water rights	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Depreciable				
Irrigation system	595,084	-	-	595,084
Total	1,795,084	-	-	1,795,084
Accumulated depreciation				
Irrigation system	(59,508)	(29,754)	-	(89,262)
Total	(59,508)	(29,754)	-	(89,262)
Net capital assets	\$ 1,735,576	\$ (29,754)	\$ -	\$ 1,705,822

NOTE E – RELATED PARTY TRANSACTIONS AND BALANCES

Acquisition and Reimbursement Agreement

In August 2021, the Districts and the Developer entered into the Acquisition and Reimbursement Agreement which superseded all of the prior funding and reimbursement agreements between the Districts and the Developer and any related promissory notes and accrued interest, as applicable, were cancelled.

Under the terms of the Acquisition and Reimbursement Agreement the outstanding balance, in the amount of \$595,084, due to the Developer for the non-potable water improvements acquired by the District in January 2019, the outstanding operational and maintenance advance plus accrued interest to the District, in the amount of \$62,711, as of the date of the Acquisition and Reimbursement Agreement, and the capital costs, in the amount of \$3,493,249, accepted by the District for public improvements and transferred directly by the Developer to the Town of Severance were consolidated. As of the date of the Acquisition and Reimbursement Agreement the Outstanding Reimbursable Amount due to the Developer based upon the above identified outstanding balances totaled \$4,151,044.

The Outstanding Reimbursable Amount shall accrue interest from the date of the Acquisition and Reimbursement Agreement at a fixed interest rate of 6.25% using the simple interest method. If and to the extent that the Districts (i) receive bond proceeds for the acquisition or completion of public improvements or (ii) has other legally available moneys, the Districts will, from such available moneys reimburse the Developer plus any accrued interest (“Repayment Amount”).

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – RELATED PARTY TRANSACTIONS AND BALANCES - *continued**Acquisition and Reimbursement Agreement – continued*

The Acquisition and Reimbursement Agreement shall end on the date the Repayment Amount is paid in full or August 19, 2061. Any portion of the Repayment Amount outstanding as of August 19, 2061 shall be deemed discharged, paid and canceled. The terms and conditions of the Acquisition and Reimbursement Agreement shall not be construed as a multiple-fiscal year or indirect debt of other financial obligation within the meaning of Article X, Section 20 of the State of Colorado Constitution.

As of the date of the Acquisition and Reimbursement Agreement, the balances consolidated were associated with the governmental activities and business-type activities as follows:

	General Fund	Water Enterprise Fund	Total
Cost of public improvements	\$ 3,493,250	\$ -	\$ 3,493,250
Operational and maintenance advance	62,710	-	62,710
Acquisition of the non-potable water improvements	<u>-</u>	<u>595,084</u>	<u>595,084</u>
Total	\$ <u>3,555,960</u>	\$ <u>595,084</u>	\$ <u>4,151,044</u>

In September 2021, District No. 2 issued Limited Tax General Obligation Bonds in the amount of \$3,981,000 and a portion of the proceeds, \$3,675,861, was transferred to the District and used to reimburse the Developer for the entire cost of public improvements, \$3,493,250, a partial reimbursement of the non-potable water improvements in the amount of \$173,511 plus accrued interest in the amounts of \$7,776 and \$1,324, respectively.

As of December 31, 2021, the outstanding balances under the Acquisition and Reimbursement Agreement were \$62,710, operational and maintenance advance, and \$421,573, non-potable water improvements, which total \$484,283.

Additionally, as of December 31, 2021, there was unpaid accrued interest in the amount of \$1,438 related to operational and maintenance advance and \$8,734, related to the non-potable water improvements.

\$1.2 Million Promissory Note – Water Rights

In December 2019, the District, through the District's Water Enterprise Fund, entered into an agreement and issued a promissory note for the purchase of five shares of the Weld & Larimer Reservoir Company Shares and four shares of the Larimer & Weld Ditch Company Direct Flow Shares for a purchase price of \$1.2 million. The promissory note was executed in exchange for, the Special Warranty Deed Water Rights between the District and an entity owned by a member of the District's Board of Directors.

Golden Eagle Acres Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – RELATED PARTY TRANSACTIONS AND BALANCES – *continued*

\$1.2 Million Promissory Note – Water Rights - continued

Originally, the promissory note matured in December 2029 and accrues interest at a rate of 7.5%.

In August 2021, the promissory note and accrued interest, in the amount of \$154,110, was cancelled. However, the obligation of the District to pay the \$1.2 million remained.

On November 16, 2021, the District issued a promissory note in the amount of \$1.2 million with the entity owned by a member of the District’s Board of Directors. Under the terms of the promissory note, the promissory note is payable in 15 equal installments including interest at 5.75%, with a first payment due on or before December 15, 2022, with a final maturity date of December 15, 2036.

As of December 31, 2021, there was unpaid accrued interest in the amount of \$8,695.

The future minimum principal payments on the promissory note are as follows:

<u>Year ended December 31,</u>	
2022	\$ 80,000
2023	80,000
2024	80,000
2025	80,000
2026	80,000
2027-2031	400,000
2032-2036	400,000
	<u>1,200,000</u>
	<u>\$ 1,200,000</u>

Change in Long-Term Debt

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

	<u>December 31,</u> 2020	<u>Additions</u>	<u>Canceled</u>	<u>December 31,</u> 2021	<u>Due within</u> <u>One Year</u>
\$1.2 million promissory note	\$ 1,200,000	\$ 1,200,000	\$ (1,200,000)	\$ 1,200,000	\$ 80,000
Accrued interest	97,150	65,655	(154,110)	8,695	-
	<u>\$ 1,297,150</u>	<u>\$ 1,265,655</u>	<u>\$ 1,354,110</u>	<u>\$ 1,208,695</u>	<u>\$ 80,000</u>

Members of the Board of Directors

All the members of the Board of Directors of the District are employees, owners or are otherwise affiliated with the Developer.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F - DEBT ISSUANCE AUTHORIZATION

Under the Districts' Service Plan the Districts' maximum amount of indebtedness shall not exceed \$4,037,147. As of December 31, 2021, the Districts had issued the maximum amount of debt available.

NOTE G – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or a District official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2021, the District's fund balance consisted of the following:

	General Fund	Water Enterprise Fund	Total
Fund balances			
Investment in capital assets, net of related debt	\$ -	\$ 66,819	\$ 66,819
Restricted			
TABOR reserve	3,600	-	3,600
Unrestricted	22,820	20,327	43,147
	<hr/>	<hr/>	<hr/>
Total fund balances	\$ 26,420	\$ 87,146	\$ 113,566

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – FUND BALANCE/NET POSITION - *continued*

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or 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 is available, the District will use the most restrictive net position first.

NOTE H – OTHER SOURCES OF REVENUE

Development Fees

The District assesses a one-time development fee on individually parceled lots.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE J – 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 debt limitations which apply to the State of Colorado and all local governments.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits may require judicial interpretation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE K – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

The spread of COVID-19 and its variants has altered the behavior of individuals and businesses in a manner that has had significant impacts on global, national, and local economies. Accordingly, state and local governments, including the State of Colorado, have announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders. The COVID-19 measures are changing rapidly and in 2022, many restrictions are being relaxed or eliminated.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

NOTE L – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through August 24, 2022, which is the date the financial statements and accompanying notes were available for issuance.

- In June 2022, the District made the required \$80,000 principal payment on the \$1.2 Million Promissory Note – Water Rights, and a partial reimbursement, included accrued interest, in the amount of \$136,798 on the acquisition of the non-potable water improvements advance.

NOTE M – RECONCILIATION OF THE GOVERNMENTAL FUND AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column which reconciles the differences between the government-wide and fund financial statements as follows:

The operational and maintenance developer advance is not reflected in the governmental fund; however, the operational and maintenance advance is reflected in the Statement of Net Position,	\$	67,710
Accrued interest payable is not reflected in the governmental fund; however, the accrued interest payable is reflected in the combined Statement of Net Position.		1,411

Golden Eagle Acres Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE M – RECONCILIATION OF THE GOVERNMENTAL FUND AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS – *continued*

The Statements of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

Interest is recognized in the governmental fund as paid. For the Statement of Activities interest expense is recognized as incurred. This is the additional amount of interest expense incurred during the year 2021 and reflected in the Statement of Activities, \$ 2,813

In 2021, as discussed in NOTE E, the District assumed debt associated with cost of public improvements which were conveyed directly to the Town of Severance by the Developer. The assumption of the debt only impacts the government-wide financial statements. 3,493,249

In the governmental activities, the repayment of the developer advance is reflected as an expenditure; however in the government-wide basis financial statements, the repayment is applied to the outstanding developer advance 3,555,960

SUPPLEMENTARY INFORMATION

Golden Eagle Acres Metropolitan District No. 1

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP-Budgetary Basis) TO ACTUAL AND
RECONCILIATION TO CHANGE IN NET POSITION - US GAAP BASIS

PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year Ended December 31, 2021

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUE				
User fees	\$ 18,790	\$ 38,093	\$ 38,093	\$ -
Interest income	-	173	173	-
Total revenue	18,790	38,266	38,266	-
EXPENDITURES				
General and administration	9,790	9,790	9,790	-
Operations	9,000	10,680	8,432	2,248
Total expenditures	18,790	20,470	18,222	2,248
NON-OPERATING REVENUE				
Cancellation of accrued interest payable	-	-	154,110	154,110
Transfer in from District No. 2	-	-	173,511	173,511
Total non-operating revenue	-	-	327,621	327,621
EXPENDITURES IN EXCESS OF REVENUES NON-GAAP BUDGETARY BASIS	\$ -	\$ 17,796	347,665	\$ 329,869
RECONCILIATION TO CHANGE IN NET POSITION - US GAAP BASIS				
Interest			(74,389)	
Depreciation			(29,754)	
CHANGE IN NET POSITION - US GAAP BASIS			\$ 243,522	