

NINE MILE METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nine Mile Metropolitan District
Boulder County, Colorado

Opinions

We have audited the financial statements of the governmental activities and each major fund of Nine Mile 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 the District as of December 31, 2021, and the respective changes in financial position thereof, 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, 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 Responsibility 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America 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 identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of 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 supplemental 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Economic Dependency

As disclosed in Note 7 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
October 4, 2022

NINE MILE METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments - restricted	\$ -	\$ 3,358,134	\$ 1,252,450	\$ 4,610,584	\$ -	\$ 4,610,584
Accounts receivable - developer advances	61,974	-	-	61,974	(61,974)	-
Capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	11,570,136	11,570,136
Total Assets	<u>61,974</u>	<u>3,358,134</u>	<u>1,252,450</u>	<u>4,672,558</u>	<u>11,508,162</u>	<u>16,180,720</u>
LIABILITIES						
Accounts payable	\$ 61,974	\$ 4,450	\$ -	\$ 66,424	-	66,424
Accrued interest on bonds	-	-	-	-	74,033	74,033
Long-term liabilities:						
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	17,802,906	17,802,906
Total Liabilities	<u>61,974</u>	<u>4,450</u>	<u>-</u>	<u>66,424</u>	<u>17,876,939</u>	<u>17,943,363</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	1,200	-	-	1,200	(1,200)	-
Debt service	-	3,353,684	-	3,353,684	(3,353,684)	-
Capital projects	-	-	1,252,450	1,252,450	(1,252,450)	-
Unassigned	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>(1,200)</u>	1,200	<u>-</u>
Total Fund Balances	<u>-</u>	<u>3,353,684</u>	<u>1,252,450</u>	<u>4,606,134</u>	<u>(4,606,134)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 61,974</u>	<u>\$ 3,358,134</u>	<u>\$ 1,252,450</u>	<u>\$ 4,672,558</u>		
Net Position:						
Restricted for:						
Emergencies					1,200	1,200
Debt service					3,279,651	3,279,651
Capital projects					1,252,450	1,252,450
Unrestricted					<u>(6,295,944)</u>	<u>(6,295,944)</u>
Total Net Position					<u>\$ (1,762,643)</u>	<u>\$ (1,762,643)</u>

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

NINE MILE 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>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 15,145	\$ -	\$ -	\$ 15,145	\$ -	\$ 15,145
Insurance	2,979	-	-	2,979	-	2,979
Legal	38,244	-	-	38,244	-	38,244
Interest expense bonds	-	888,393	-	888,393	1,992	890,385
Paying agent fees	-	4,450	-	4,450	-	4,450
Capital improvements	-	-	6,957,586	6,957,586	(6,957,586)	-
Total Expenditures	<u>56,368</u>	<u>892,843</u>	<u>6,957,586</u>	<u>7,906,797</u>	<u>(6,955,594)</u>	<u>951,203</u>
GENERAL REVENUES						
Interest income	-	1,532	2,387	3,919	-	3,919
Total General Revenues	<u>-</u>	<u>1,532</u>	<u>2,387</u>	<u>3,919</u>	<u>-</u>	<u>3,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(56,368)	(891,311)	(6,955,199)	(7,902,878)	6,955,594	(947,284)
OTHER FINANCING SOURCES (USES)						
Developer advances	56,368	-	-	56,368	(56,368)	-
Total Other Financing Sources (Uses)	<u>56,368</u>	<u>-</u>	<u>-</u>	<u>56,368</u>	<u>(56,368)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	(891,311)	(6,955,199)	(7,846,510)	7,846,510	
CHANGE IN NET POSITION					(947,284)	(947,284)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	-	4,244,995	8,207,649	12,452,644	(13,268,003)	(815,359)
END OF YEAR	<u>\$ -</u>	<u>\$ 3,353,684</u>	<u>\$ 1,252,450</u>	<u>\$ 4,606,134</u>	<u>\$ (6,368,777)</u>	<u>\$ (1,762,643)</u>

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

NINE MILE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Miscellaneous income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Accounting and audit	15,000	17,500	15,145	2,355
Insurance	3,000	3,000	2,979	21
Legal	15,000	40,000	38,244	1,756
Miscellaneous expenses	2,000	2,000	-	2,000
Contingency	13,950	10,625	-	10,625
Emergency reserve	1,050	1,875	-	1,875
Total Expenditures	<u>50,000</u>	<u>75,000</u>	<u>56,368</u>	<u>18,632</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	(75,000)	(56,368)	18,632
OTHER FINANCING SOURCES (USES)				
Developer advances	<u>50,000</u>	<u>75,000</u>	<u>56,368</u>	<u>(18,632)</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>75,000</u>	<u>56,368</u>	<u>(18,632)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of Nine Mile Metropolitan District (the “District”), located in the Town of Erie, Boulder 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 February 4, 2020, as a quasi-municipal organization established under the State of Colorado Special District Act. The District is authorized to provide for the planning, design, acquisition, construction, installation, and financing of public improvements from the proceeds of debt to be issued by the District subject to the limitations of its approved Service Plan (“Service Plan”). The District is located wholly within the boundaries of the Highway 287 Urban Renewal Plan (“Urban Renewal Plan”). The Town of Erie Urban Renewal Authority (“Authority”) is responsible for carrying out the Urban Renewal Plan. The District is authorized to finance public improvements that can be funded from debt to be repaid by revenues pledged to the District from the Authority. Pursuant to its Service Plan, the District shall not impose a mill levy on taxable property within its boundaries as a source of revenue for repayment of debt service. The District may impose a mill levy on taxable property within its boundaries as a source of revenue for operations and maintenance.

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, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides 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.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

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

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The District reports the following major governmental funds:

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

The District amended its total appropriations in the General Fund from \$50,000 to \$75,000 primarily due to the increase in expenses.

Assets, Liabilities, Deferred Outflows/Inflows of Resources 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 and Investments

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

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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

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 has no 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 no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2021.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

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 \$1,200 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 \$3,353,684 is restricted for the payment of the debt service costs associated with the Special Revenue Bonds Series 2020 (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$1,252,450 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

Assigned Fund Balance

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

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

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 or resources related to those assets.

Restricted net position – net position is considered restricted if its 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.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments - Restricted	\$ <u>4,610,584</u>
Total	\$ <u>4,610,584</u>

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

Investments - COLOTRUST	\$ <u>4,610,584</u>
	\$ <u>4,610,584</u>

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Deposits

Custodial Credit Risk

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

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

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 net asset value method (NAV) per share.

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.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”), is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2021, the District had \$4,610,584 invested in COLOTRUST Plus+.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Balance 01/01/21	Additions	Conveyances	Balance 12/31/21
Construction in progress	\$ 4,612,550	\$ 6,957,586	\$ -	\$ 11,570,136

Upon completion and acceptance, all fixed assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 4: Long Term Debt

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

Special Revenue Bonds Series 2020

On October 30, 2020, the District issued \$17,775,000 of Special Revenue Bonds Series 2020 (the “Bonds”), issued for the purpose of financing or reimbursing a portion of the costs of acquiring, constructing, and installing certain public improvements, funding reserves and capital interest, and paying certain costs in connection with the Bonds. The Bonds are term bonds, of which, \$4,515,000 bear interest at 4.625% mature December 1, 2030, and \$13,260,000 bear interest at 5.125% mature December 1, 2040, payable semiannually on each June 1 and December 1, commencing on December 1, 2020. The Bonds are subject to redemption prior to maturity, as a whole or in integral multiples of \$1,000, at the option of the District, on December 1, 2025, and any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Redemption Date</u>	<u>Redemption Premium</u>
December 1, 2025 to November 30, 2026	3.00%
December 1, 2026 to November 30, 2027	2.00%
December 1, 2027 to November 30, 2028	1.00%
December 1, 2028, and thereafter	0.00%

The Bonds are special revenue obligations of the District secured by and payable from Pledged Property Tax Revenue and Incremental Sales Tax Revenue. A portion of the interest on the Bonds will be paid from capitalized interest to be funded with proceeds of the Bonds in the amount of \$2,665,181. The Bonds are additionally secured by the Reserve Fund, funded in the required amount of \$1,655,494 and amounts, if any, accumulated in the Surplus Fund up to a maximum surplus amount of \$1,777,500.

The following is a summary of the annual long-term debt principal and interest requirements.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 888,394	\$ 888,394
2023	-	888,394	888,394
2024	410,000	888,394	1,298,394
2025	570,000	869,431	1,439,431
2026	620,000	843,069	1,463,069
2027 - 2031	3,765,000	3,746,138	7,511,138
2032 - 2036	5,220,000	2,679,607	7,899,607
2037 - 2040	7,190,000	1,071,126	8,261,126
	<u>\$ 17,775,000</u>	<u>11,874,553</u>	<u>29,649,553</u>

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

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

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
<u>Special Revenue Obligations</u>					
Special Revenue Bonds - 2020	\$ 17,775,000	\$ -	\$ -	\$ 17,775,000	\$ -
Total	17,775,000	-	-	17,775,000	-
<u>Other - Developer Advances</u>					
Operation Funding Agreement - Principal	22,729	2,979	-	25,708	-
Operation Funding Agreement - Interest	206	1,992	-	2,198	-
Total	22,935	4,971	-	27,906	-
Total Debt	<u>\$ 17,797,935</u>	<u>\$ 4,971</u>	<u>\$ -</u>	<u>\$ 17,802,906</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$185,418,946. Per the District's Service Plan, the District cannot issue debt in excess of \$20,000,000. The District has not budgeted to issue any new debt during 2022.

Note 5: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with Evergreen-287 & Arapahoe, LLC, (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 6: Agreements

Operation Funding Agreement

On February 18, 2020, the District and the Developer entered into an Operation Funding Agreement ("OFA"), under which the Developer agreed to advance funds necessary to fund or directly pay the District's operations and maintenance expenses for the 2020 fiscal year, up to a shortfall amount of \$50,000. Under the OFA, simple interest accrues on each advance from the date of deposit into the District's account or from the date of direct payment by the Developer, until paid, at the rate of eight percent (8%) per annum.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

On October 26, 2020, the District entered into the First Amendment to the OFA (“First Amendment to OFA”) with the Developer. The First Amendment to OFA extended the time period under which the Developer would advance funds necessary to fund or directly pay the District’s operations and maintenance expenses through the 2021 fiscal year and increased the shortfall amount to \$100,000. Any obligation of the District to reimburse the Developer shall expire on December 31, 2060. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the OFA on or before December 31, 2060, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

Facilities Funding and Acquisition Agreement:

On February 18, 2020, the District entered into a Facilities Funding and Acquisition Agreement, as amended on October 26, 2020, and December 3, 2021, (“FFAA”) with the Developer. The Developer shall advance funds necessary to fund construction related expenses for the 2020 - 2022 fiscal years, up to the shortfall amount of \$50,000. The District agrees to reimburse the Developer for construction related expenses and for the acquisition of the improvements upon completion. Interest shall accrue at the rate of 8% per annum until paid.

For advances made for Organizational Expenses, interest shall accrue from the date of organization. For Construction Expenses, interest shall accrue on each Developer Advance from the date of the deposit into the District’s account and on Verified Costs incurred prior to the Organizational Date, interest shall accrue from the Organizational Date. For Verified Costs incurred after the Organizational Date interest shall accrue from the date the costs were incurred.

Development Agreement

On March 10, 2020, the District entered into a Development Agreement (“Development Agreement”) with the Town, Developer, Evergreen-287 & Arapahoe Apartments, L.L.C., and the Authority whereby the District is to establish an escrow for the proceeds of the Bonds pursuant to documents acceptable to the Town. The amount of the escrow is to be 115 percent of the costs of the improvements set forth in the Development Agreement.

The District is permitted to draw funds from the escrow for construction of the improvements as construction of the improvements progresses and in accordance with the Development Agreement. Twenty-five percent (25%) of the initial escrow amount or another form of performance guaranty is to remain in the escrow until the expiration of the 2-year warranty period. On March 23, 2022, Liberty Mutual Insurance Company issued a Performance Guarantee Bond in the amount of \$1,973,591.48 for 24 months from and after the date of the completion of the improvements.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Escrow Agreement

On October 30, 2020, the District, Town, Developer, and UMB Bank, n.a. (as Escrow Agent) entered into an Escrow Agreement (“Escrow Agreement”). Pursuant to the Escrow Agreement, the Bond proceeds deposited into the Escrow Fund shall be used to directly fund, or reimburse a party that has directly funded, costs related to the acquisition, construction and installation of the Public Improvements by the District, Developer, or, in limited circumstances as provided in the Development Agreement, the Town.

Authority Pledge Agreement

On October 30, 2020, the District entered into a Pledge Agreement (“Authority Pledge Agreement”) with the Authority. Since the District is not a party to the Disposition and Development Agreement by and between the Developer, the Town, and the Authority, dated March 22, 2016, as amended (“DDA”), the District and the Authority entered into the Authority Pledge Agreement in order to effectuate the transfer and pledge of the Pledged Property Tax Increment Revenue (as defined in the DDA) and the Pledged Sales Tax Increment Revenue (as defined in the DDA) by the Authority to the District.

Per the Authority Pledge Agreement, the Authority assigned all of its right, title, and interest to the Pledged Property Tax Increment Revenue and the Pledged Sales Tax Increment Revenue under the DDA and pledged the same to the District for the purpose of paying and securing the Bonds and to secure the Operations Deduction as set forth in the Indenture. The District agrees to pledge its right, title, and interest to the DDA Pledged Revenues to the Trustee under the Indenture for the benefit of the Bondholders of the Bonds and any other District obligations outstanding from time to time. A lien of the District on the Pledged Property Tax Increment Revenue and the Pledged Sales Tax Increment Revenue is a first priority and exclusive lien thereon and there is no prior, superior subordinate, or any other lien on DDA Pledged Revenues other than the lien thereon of the pledge to the District under the Authority Pledge Agreement.

Seller’s Rights and District Guaranty Agreement

On October 30, 2020, the District, Developer, Lowe’s Home Centers, L.L.C. (“Lowe’s”), and UMB Bank, n.a. (as Trustee) entered into a Seller’s Rights and District Guaranty Agreement (“District Guaranty Agreement”) by which proceeds from the Bonds are to be used for payment of costs of certain public improvements, including Lowe’s. Lowe’s agreed under circumstances set forth in the District Guaranty Agreement to pay the District (an amount equal to a fixed fee (\$5,000,000) or annual payments) in the event Lowe’s does not open a typical Lowe’s retail business within the District as contemplated.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Letter Agreement Regarding Water Usage

By letter dated January 8, 2021, the District and Developer informed the Town that the District authorizes the Developer to tie into certain irrigation lines for the purpose of temporarily providing irrigation water to private landscape improvements being installed on certain property (“Authorization Letter”). On April 12, 2021, the District and Developer entered into a Letter Agreement to memorialize the intention of the parties regarding the payment of water usage (“Letter Agreement”). Pursuant to the Letter Agreement, the Developer shall be responsible for reimbursing the District for costs associated with the water usage of certain property, until such time as a permanent source of irrigation water is established, which shall be calculated by use of a water sub-meter (“Sub-Meter Reading”). The Developer will provide the District with a monthly report of the Sub-Meter Reading. Based on the Sub-Meter Reading, the District will invoice the Developer for reimbursement of the Developer’s calculated share of the Town’s water bill.

Note 7: Economic Dependency

The District has not yet established a revenue base sufficient to pay the District’s operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer pursuant to the Operations Funding Agreement. (See Note 6)

Note 8: 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.

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.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

On November 5, 2019, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: 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 10: 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) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

NINE MILE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

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

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) 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;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Note 11: Noncompliance with Colorado Revised Statutes

Colorado Revised Statutes require that local governments submit audited financial statements for the calendar year-end by July 31 or September 30 if granted an extension of the following year. The District was not in compliance with this statutory requirement for the year ended December 31, 2021.

SUPPLEMENTAL INFORMATION

NINE MILE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ <u>-</u>	\$ <u>1,532</u>	\$ <u>1,532</u>
Total Revenues	<u>-</u>	<u>1,532</u>	<u>1,532</u>
EXPENDITURES			
Interest expense bonds	890,113	888,393	1,720
Paying agent fees	<u>5,500</u>	<u>4,450</u>	<u>1,050</u>
Total Expenditures	<u>895,613</u>	<u>892,843</u>	<u>2,770</u>
NET CHANGE IN FUND BALANCE	(895,613)	(891,311)	4,302
FUND BALANCE:			
BEGINNING OF YEAR	<u>4,126,088</u>	<u>4,244,995</u>	<u>118,907</u>
END OF YEAR	<u>\$ 3,230,475</u>	<u>\$ 3,353,684</u>	<u>\$ 123,209</u>

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

NINE MILE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 2,387	\$ 2,387
Total Revenues	<u>-</u>	<u>2,387</u>	<u>2,387</u>
EXPENDITURES			
Capital improvements	8,800,000	6,957,586	1,842,414
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>8,800,000</u>	<u>6,957,586</u>	<u>1,842,414</u>
NET CHANGE IN FUND BALANCE	(8,800,000)	(6,955,199)	1,844,801
FUND BALANCE:			
BEGINNING OF YEAR	<u>8,800,000</u>	<u>8,207,649</u>	<u>(592,351)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 1,252,450</u>	<u>\$ 1,252,450</u>

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

NINE MILE METROPOLITAN DISTRICT

**SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED**

December 31, 2020

(Unaudited)

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2020	\$ -	0.000	0.000	\$ -	\$ -	0.00%
2021	\$ -	0.000	0.000	\$ -	\$ -	0.00%
Estimated for year ending December 31, 2022	\$ -	0.000	0.000	\$ -	-	

NOTE

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