

**LEGATO COMMUNITY AUTHORITY
Adams County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**PERIOD FROM FEBRUARY 24, 2021 (INCEPTION)
TO DECEMBER 31, 2021,
HEREINAFTER REFERRED TO AS "PERIOD"**

**LEGATO COMMUNITY AUTHORITY
TABLE OF CONTENTS
PERIOD ENDED DECEMBER 31, 2021**

INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	25
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	26
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	28

Board of Directors
Legato Community Authority
Adams County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Legato Community Authority (the "Authority"), as of and for the period ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 Legato Community Authority as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the period 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Other Matters

Required Supplemental Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 21, 2022

BASIC FINANCIAL STATEMENTS

**LEGATO COMMUNITY AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 31,709,286
Prepaid Expenses	3,473
Capital Assets:	
Capital Assets, Not Being Depreciated	1,427,976
Total Assets	33,140,735
LIABILITIES	
Accounts Payable	110,066
Accrued Interest Payable	50,913
Noncurrent Liabilities:	
Due Within One Year	31,345
Due in More Than One Year	35,029,919
Total Liabilities	35,222,243
NET POSITION	
Restricted For:	
Emergency Reserves	5,463
Unrestricted	(2,086,971)
Total Net Position	\$ (2,081,508)

See accompanying Notes to Basic Financial Statements.

**LEGATO COMMUNITY AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ 5,463	\$ 4,215,250	\$ 27,488,573	\$ 31,709,286
Prepaid Insurance	3,473	-	-	3,473
Total Assets	<u>\$ 8,936</u>	<u>\$ 4,215,250</u>	<u>\$ 27,488,573</u>	<u>\$ 31,712,759</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 18,516	\$ -	\$ 91,550	\$ 110,066
Total Liabilities	18,516	-	91,550	110,066
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	3,473	-	-	3,473
Restricted For:				
Emergencies (TABOR)	5,463	-	-	5,463
Debt Service	-	4,215,250	-	4,215,250
Capital Projects	-	-	27,397,023	27,397,023
Unassigned	(18,516)	-	-	(18,516)
Total Fund Balances	<u>(9,580)</u>	<u>4,215,250</u>	<u>27,397,023</u>	<u>31,602,693</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,936</u>	<u>\$ 4,215,250</u>	<u>\$ 27,488,573</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Long-term liabilities, including Developer advances payable and bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds Payable				(33,799,499)
Bond Premium				(1,173,708)
Accrued Interest Payable - Bonds				(50,913)
Developer Advance Payable				(85,326)
Developer Advance Payable - Accrued Interest				(2,731)
Net Position of Governmental Activities				<u>\$ (2,081,508)</u>

See accompanying Notes to Basic Financial Statements.

LEGATO COMMUNITY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
PERIOD ENDED DECEMBER 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Net Investment Income	\$ -	\$ 300	\$ 1,899	\$ 2,199
Total Revenues	-	300	1,899	2,199
EXPENDITURES				
General:				
Accounting	30,031	-	-	30,031
Dues and Licenses	1,600	-	-	1,600
Insurance	21,394	-	-	21,394
Legal	41,631	-	12,680	54,311
Miscellaneous Expenses	250	-	950	1,200
Debt Service:				
Bond Issue Costs	-	-	1,170,953	1,170,953
Bond Interest	-	281,716	-	281,716
Capital Projects:				
Engineering	-	-	125,619	125,619
Capital Outlay	-	-	1,427,976	1,427,976
Total Expenditures	<u>94,906</u>	<u>281,716</u>	<u>2,738,178</u>	<u>3,114,800</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(94,906)	(281,416)	(2,736,279)	(3,112,601)
OTHER FINANCING SOURCES (USES)				
Developer Advance	85,326	-	312,927	398,253
Repay Developer Advance	-	-	(312,927)	(312,927)
Transfers (to) from Other Fund	-	4,496,666	(4,496,666)	-
Bond Proceeds-2021A-1	-	-	12,645,000	12,645,000
Bond Proceeds-2021A-2	-	-	15,527,806	15,527,806
Bond Proceeds-2021B	-	-	5,269,000	5,269,000
Bond Premium	-	-	1,188,162	1,188,162
Total Other Financing Sources (Uses)	<u>85,326</u>	<u>4,496,666</u>	<u>30,133,302</u>	<u>34,715,294</u>
NET CHANGE IN FUND BALANCES	(9,580)	4,215,250	27,397,023	31,602,693
Fund Balances - Beginning of Period	-	-	-	-
FUND BALANCES (DEFICIT) - END OF PERIOD	<u>\$ (9,580)</u>	<u>\$ 4,215,250</u>	<u>\$ 27,397,023</u>	<u>\$ 31,602,693</u>

See accompanying Notes to Basic Financial Statements.

**LEGATO COMMUNITY AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
PERIOD ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 31,602,693

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay 1,427,976

The issuance of long-term debt (e.g., issuance of bonds, the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Issuance	(33,441,806)
Bond Premium	(1,188,162)
Accretion of 2021A-2 Bonds	(357,693)
Developer Advances Capital	(312,927)
Developer Advances O&M	(85,326)
Repayment of Developer Advances Capital	312,927

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of Bond Premium	14,454
Accrued Interest on Bonds - Change in Liability	(50,913)
Accrued Interest on Developer Advance - Change in Liability	(2,731)
	(2,731)

Change in Net Position of Governmental Activities \$ (2,081,508)

**LEGATO COMMUNITY AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
PERIOD ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
General:				
Accounting	20,000	30,000	30,031	(31)
Insurance	3,000	21,394	21,394	-
Legal	25,000	65,000	41,631	23,369
Miscellaneous Expenses	-	-	250	(250)
Dues and Licenses	500	1,600	1,600	-
Contingency	1,500	2,006	-	2,006
Total Expenditures	<u>50,000</u>	<u>120,000</u>	<u>94,906</u>	<u>25,094</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,000)	(120,000)	(94,906)	25,094
OTHER FINANCING SOURCES (USES)				
Developer Advances	50,000	120,000	85,326	(34,674)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>120,000</u>	<u>85,326</u>	<u>(34,674)</u>
NET CHANGE IN FUND BALANCE	-	-	(9,580)	(9,580)
Fund Balance - Beginning of Period	-	-	-	-
FUND BALANCE (DEFICIT) - END OF PERIOD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,580)</u>	<u>\$ (9,580)</u>

See accompanying Notes to Basic Financial Statements.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

Legato Community Authority (the Authority), a quasi-municipal corporation and a political subdivision of the State of Colorado, formed pursuant to Sections 29-1-203 and 203.5, C.R.S., and the Legato Community Authority Establishment Agreement (the Establishment Agreement), dated February 24, 2021, entered into among the Legato Metropolitan Districts No.1 (District No. 1), Legato Metropolitan Districts No.2 (District No. 2), Legato Metropolitan Districts No.3 (District No. 3), Legato Metropolitan Districts No.4 (District No. 4), Legato Metropolitan Districts No.5 (District No. 5), Legato Metropolitan Districts No.6 (District No. 6), Legato Metropolitan Districts No.7 (District No. 7) (Collectively, the Districts).

The Authority was organized for the purposes of incurring financial obligations on behalf of the Districts and providing the authorized public improvements and services. The Districts were established to provide financing for the design, acquisition, installation, construction, and completion of public improvements and services, including water, sanitation, street, safety protection, park and recreation, transportation, television relay, translation, and mosquito and pest control improvements and services.

Under the Establishment Agreement, each District shall transfer certain revenues received by it to fund the cost of administrative services and to fund obligations issued by the Authority.

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

The Authority has no employees, and all operations and administrative functions are contracted. The members of the Authority Board of Directors are appointed by the Districts.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Authority are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the Authority. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and inter-governmental revenues.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the Authority. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the Authority is reported as net position.

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.

Separate financial statements are provided for the governmental funds. 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 related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the Authority. The Authority has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the Authority's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The Authority'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 Authority has amended its annual budget for the period ended December 31, 2021.

Pooled Cash and Investments

The Authority 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 single bank account. 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 and investments.

Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

Capital Assets

Capital assets, which include infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the Authority may operate and maintain, are recorded as construction in progress. Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the Authority's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on property that will remain assets of the Authority 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.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

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

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

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

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the Authority's practice to use the most restrictive classification first.

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2021. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2022.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments - Restricted	\$ 31,709,286
Total Cash and Investments	<u>\$ 31,709,286</u>

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

Deposits with Financial Institutions	\$ 5,463
Investments	<u>31,703,823</u>
Total Cash and Investments	<u>\$ 31,709,286</u>

Deposits with Financial Institutions

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

At December 31, 2021, the Authority's cash deposits had a bank balance and a carrying balance of \$5,463.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

The Authority generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the Authority is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2021, the Authority has the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Fidelity Treasury Fund (FTVXX)	Weighted-Average Under 60 Days	\$ 31,703,823

US Treasury Money Market Fund

The debt service money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the SEI Daily Income Treasury Portfolio. This portfolio is a money market fund that is managed by SEI Investments and each share is equal in value to \$1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CAPITAL ASSETS

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

<u>By Classification</u>	Balance - February 24, 2021	Additions	Retirements	Balance - December 31, 2021
Capital Assets, Not Being Depreciated:				
Construction in Process	\$ -	\$ 1,427,976	\$ -	\$ 1,427,976
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 1,427,976</u>	<u>\$ -</u>	<u>\$ 1,427,976</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the Authority's long-term obligations for the period ended December 31, 2021:

<u>Governmental Activities:</u>	Balance - February 24, 2021	Additions	Reductions	Balance - December 31, 2021	Due Within One Year
Limited Tax Supported Revenue Bonds:					
Series 2021A-1	\$ -	\$ 12,645,000	\$ -	\$ 12,645,000	\$ -
Limited Tax Supported Convertible Capital Appreciation Revenue Bonds:					
Series 2021A-2	-	15,527,806	-	15,527,806	-
Series 2021A-2 Accretion	-	357,693	-	357,693	-
Limited Tax Supported Revenue Bonds:					
Series 2021B(3)	-	5,269,000	-	5,269,000	-
Developer Advances - O&M	-	85,326	-	85,326	-
Developer Advances - Capital	-	312,927	312,927	-	-
Accrued Interest on Developer Advances - O&M	-	2,397	-	2,397	-
Developer Advances - Capital	-	334	-	334	-
Total	<u>-</u>	<u>34,200,483</u>	<u>312,927</u>	<u>33,887,556</u>	<u>-</u>
Unamortized 2021A-1 Bond Premium	-	735,709	14,454	721,255	31,345
Unamortized 2021A-2 Bond Premium	-	452,453	-	452,453	-
Total	<u>\$ -</u>	<u>\$ 35,388,645</u>	<u>\$ 327,381</u>	<u>\$ 35,061,264</u>	<u>\$ 31,345</u>

The details of the Authority's revenue bonds outstanding during 2021 are as follows:

Limited Tax Supported Revenue (District Nos. 1, 2, 3, and 7) Bonds, Series 2021A-1 (the 2021A-1 Senior Bonds), **Limited Tax Supported Convertible Capital Appreciation Revenue (District Nos. 1, 2, 3, and 7) Bonds, Series 2021A-2** (the 2021A-2 Senior Bonds, and with the 2021A-1 Senior Bonds, the Senior Bonds), and **Subordinate Limited Tax Supported Revenue (District Nos. 1, 2, 3, and 7) Bonds, Series 2021B(3)** (the Subordinate Bonds, and together with the Senior Bonds, the Bonds)

Bond Proceeds

The Authority issued the Bonds on June 15, 2021, in the par amounts of \$12,645,000 for the 2021A-1 Senior Bonds, \$15,527,806 (value at issuance) and \$20,335,000 (value at 2021A-2 Current Interest Conversion Date) for the 2021A-2 Senior Bonds, and \$5,269,000 for the Subordinate Bonds.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Bond Proceeds (Continued)

Proceeds from the sale of the Senior Bonds were used to: (i) finance or reimburse the costs of public improvements related to a residential and commercial development in the City; (ii) pay capitalized interest on the 2021A-1 Senior Bonds (capitalized interest was funded from proceeds of the 2021A-1 Senior Bonds only); (iii) fund an initial deposit to the Senior Surplus Fund; and (iv) pay the costs of issuance of the Bonds. Proceeds of the Subordinate Bonds were used to finance additional public improvements related to the development.

Details of the 2021A-1 Senior Bonds

The 2021A-1 Senior Bonds were issued as four term bonds that bear interest at the rates of 4.000% per annum for the first term bond and 5.000% for each of the remaining term bonds. Interest is payable semiannually on June 1 and December 1, beginning on December 1, 2021. The 2021A-1 Senior Bonds have a final maturity on December 1, 2051. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2028.

To the extent principal of any 2021A-1 Senior Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or the Senior Bonds Termination Date of December 1, 2061 and shall continue to bear interest at the rate then borne by the 2021A-1 Senior Bond. To the extent interest on any 2021A-1 Senior Bond is not paid when due, such interest shall compound semiannually on each interest payment date (June 1 and December 1) at the rate borne by the 2021A-1 Senior Bond. If any amount of principal or interest due on the 2021A-1 Senior Bonds remains unpaid on the Senior Bonds Termination Date, such unpaid amount will be deemed discharged.

Details of the 2021A-2 Senior Bonds

The 2021A-2 Senior Bonds were issued as capital appreciation bonds that automatically convert to current interest bonds on December 1, 2026 (the 2021A-2 Current Interest Conversion Date). Prior to conversion to current interest bonds, the 2021A-2 Senior Bonds do not pay current interest; instead, they accrete in value at an annual yield equal to 5.000%. The accreted amount compounds semiannually on each interest payment date (June 1 and December 1), beginning December 1, 2021, to December 1, 2026. Such accreted amount, together with the original principal amount of the 2021A-2 Senior Bonds, bears interest at the interest rate borne by the 2021A-2 Senior Bonds upon conversion to current interest bonds.

The accreted principal balance at conversion on December 1, 2026, will be \$20,335,000. Upon conversion to current interest bonds, the 2021A-2 Senior Bonds will bear interest at a rate of 5.000%, payable semiannually on June 1 and December 1, commencing on June 1, 2027. Annual principal payments are due on December 1 of each year beginning December 1, 2028. The 2021A-2 Senior Bonds mature on December 1, 2051.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Details of the 2021A-2 Senior Bonds (Continued)

On and after conversion to current interest bonds, to the extent principal of any 2021A-2 Senior Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or the Senior Bonds Termination Date of December 1, 2061 and shall continue to bear interest at the rate then borne by the 2021A-2 Senior Bond. To the extent interest accrued on the accreted value of any 2021A-2 Senior Bond after the 2021A-2 Current Interest Conversion Date is not paid when due, such unpaid interest shall compound semiannually on each interest payment date (June 1 and December 1) at the rate borne by the 2021A-2 Senior Bond. If any amount of principal or interest due on the 2021A-2 Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available on the Senior Bonds Termination Date, such unpaid amount will be deemed discharged.

Optional Redemption

The Senior Bonds and Subordinate Bonds are subject to redemption prior to maturity, at the option of the Authority, on June 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed (or, with respect to the redemption of the 2021A-2 Bonds prior to the 2021A-2 Current Interest Conversion Date, upon payment of the accreted value and a redemption premium equal to a percentage of the accreted value so redeemed) as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
June 1, 2026, to May 31, 2027	3.00%
June 1, 2027, to May 31, 2028	2.00
June 1, 2028, to May 31, 2029	1.00
June 1, 2029, and thereafter	0.00

Capital Pledge Agreements

For the purpose of generating the Senior Pledged Revenue and the Subordinate Pledged Revenue; Legato Metropolitan District No. 1 (District No. 1), Legato Metropolitan District No. 2 (District No. 2), Legato Metropolitan District No. 3 (District No. 3), and Legato Metropolitan District No. 7 (District No. 7) (collectively, the Taxing Districts); each entered into a Senior Capital Pledge Agreement and a Subordinate Capital Pledge Agreement with the Authority, pursuant to which each Taxing District has pledged certain revenues to the repayment of the Bonds.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Pledged Revenue

The Senior Bonds are payable solely from and to the extent of Senior Pledged Revenue defined as the following: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Senior PILOT (payment in lieu of taxes) Revenues; and (d) any other legally available moneys which the Authority determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Senior Property Tax Revenues means all moneys derived from imposition by the Taxing Districts of the Senior Required Mill Levy and do not include specific ownership taxes. Senior Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

Senior Specific Ownership Tax Revenues means the specific ownership taxes remitted to the Taxing Districts as a result of imposition by the Taxing Districts of the Senior Required Mill Levy.

Senior PILOT Revenues means all revenues derived from any PILOT relating to the Senior Required Mill Levy imposed by any Taxing District.

Senior Required Mill Levy

The Taxing Districts have covenanted to impose a Senior Required Mill Levy upon all taxable property in the respective Taxing District each year in an amount determined by the Authority which maintains the Relative Required Mill Levy Ratio, and which, assuming imposition of the applicable amount by each Taxing District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues and Senior PILOT Revenues (if any) sufficient to pay the Senior Bonds when due, but not in excess of the applicable Maximum Required Mill Levy. For so long as the amount on deposit in the Senior Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy for each Taxing District is to be equal to the Maximum Required Mill Levy.

Maximum Required Mill Levy means: (i) with respect to District No. 1 and District No. 7, 25 mills (subject to adjustment for changes in the method of calculating assessed valuation on or after January 1, 2020); and (ii) with respect to District No. 2 and District No. 3, 55.277 mills (subject to adjustment for changes in the method of calculating assessed valuation on or after January 1, 2020).

Relative Required Mill Levy Ratio means the relationship of the Senior Required Mill Levies imposed by the Taxing Districts vis a vis each other represented by the imposition of 25 mills (as adjusted) by District No. 1, 25 mills (as adjusted) by District No. 7, 55.277 mills (as adjusted) by District No. 2, and 55.277 mills (as adjusted) by District No. 3.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Additional Security for the Senior Bonds

The 2021A-1 Senior Bonds are further secured by capitalized interest which was funded from proceeds of the 2021A-1 Senior Bonds in the amount of \$1,809,091. The Senior Bonds are further secured by amounts in the Senior Surplus Fund (if any). Except for an initial deposit of \$2,677,000 from proceeds of the Senior Bonds, the Senior Surplus Fund will be funded from deposits of annual Senior Pledged Revenue in excess of that needed to pay annual debt service (if any) up to the Maximum Surplus Amount of \$5,634,561.

Except to the extent Senior Pledged Revenue is available, the Authority has no obligation to fund the Senior Surplus Fund after issuance of the Senior Bonds in any amount. Amounts on deposit in the Surplus Fund (if any) on the final maturity date of the Senior Bonds shall be applied to the payment of the Bonds.

As of December 31, 2021, the balance in the capitalized interest account is \$1,538,072 and the balance in the Senior Surplus Fund is \$2,677,178.

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 8.250% per annum and are payable annually on December 15, beginning December 15, 2021 from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2051. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

If any amount of principal or interest on the Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available on the Subordinate Bonds Termination Date of December 15, 2061, such unpaid amount will be deemed discharged.

Subordinate Pledged Revenue

Subordinate Pledged Revenue means the following: (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate PILOT (payment in lieu of taxes) Revenues; and (d) any other legally available moneys which the Authority determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Subordinate Pledged Revenue

Subordinate Property Tax Revenues means all moneys derived from imposition by the Taxing Districts of the Subordinate Required Mill Levy and do not include specific ownership taxes. Subordinate Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Pledged Revenue (Continued)

Subordinate Specific Ownership Tax Revenues means the specific ownership taxes remitted to the Taxing Districts as a result of imposition by the Taxing Districts of the Subordinate Required Mill Levy.

Subordinate PILOT Revenues means all revenues derived from any PILOT relating to the Subordinate Required Mill Levy imposed by any Taxing District.

Subordinate Required Mill Levy

Each Taxing District is required to impose a Subordinate Required Mill Levy upon all taxable property of such Taxing District each year in an amount equal to: (i) the applicable Maximum Required Mill Levy less the then applicable Senior Obligation Mill Levy, or (ii) such lesser amounts determined by the Authority (maintaining the Relative Required Mill Levy Ratio) which, if imposed in the applicable amounts by all Districts for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues and Subordinate PILOT Revenues (if any) sufficient to pay the Subordinate Bonds and any other Additional Subordinate Obligations in full in the year of collection. Senior Obligation Mill Levy means the ad valorem property tax levy required to be imposed by the applicable District in accordance with the Senior Pledge Agreement and any other ad valorem property tax levy required to be imposed by the applicable District for the payment of Senior Obligations.

2021A-1 Senior Bonds Debt Service

The outstanding principal and interest of the 2021A-1 Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 610,950	\$ 610,950
2023	-	610,950	610,950
2024	-	610,950	610,950
2025	-	610,950	610,950
2026	-	610,950	610,950
2027-2031	580,000	3,028,350	3,608,350
2032-2036	1,550,000	2,824,750	4,374,750
2037-2041	2,180,000	2,425,750	4,605,750
2042-2046	3,060,000	1,797,250	4,857,250
2047-2051	5,275,000	927,250	6,202,250
Total	<u>\$ 12,645,000</u>	<u>\$ 14,058,100</u>	<u>\$ 26,703,100</u>

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

2021A-2 Senior Bonds Debt Service

The outstanding principal and interest of the 2021A-2 Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027-2031	860,000	5,036,000	5,896,000
2032-2036	2,475,000	4,644,000	7,119,000
2037-2041	3,595,000	3,915,250	7,510,250
2042-2046	5,020,000	2,881,500	7,901,500
2047-2051	8,385,000	1,454,000	9,839,000
Total	<u>\$ 20,335,000</u>	<u>\$ 17,930,750</u>	<u>\$ 38,265,750</u>

The annual debt service requirements of the Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

Debt Authorization

At an election of the qualified electors of the Districts on November 3, 2020, a majority of the qualified electors of the Districts who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$2,400,000,000 for providing public improvements.

As a result of issuance of the Bonds, the Districts had \$966,558,194 in remaining unused electoral authorization for indebtedness for public improvements and \$100,000,000 each for operations and maintenance expenditures, debt related to intergovernmental agreements or other contracts with public entities, special assessment debt and private agreements and \$1,000,000,000 for refunding.

Pursuant to the Districts' Consolidated Service Plan, the Districts are permitted to issue bond indebtedness in the total aggregate amount of \$100,000,000.

In the future, the Authority may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the Authority's service area.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 NET POSITION

The Authority has net position consisting of two components – restricted and unrestricted.

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority had a restricted net position as of December 31, 2021, as follows:

Restricted Net Position:

Emergencies	\$ 5,463
Total Restricted Net Position	<u>\$ 5,463</u>

The Authority has a deficit in unrestricted net position. This deficit amount is a result of the Authority being responsible for the repayment of bonds issued for public improvements, of which a significant portion of these improvements have been conveyed to other governmental entities and which costs have been removed from the Authority's financial records.

NOTE 7 ECONOMIC DEPENDENCY

The Authority has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the Authority will be dependent upon funding by the Developer, Cohen Denver Airport, LLC.

NOTE 8 AGREEMENTS

Establishment Agreement

On February 24, 2021, the Authority entered into the Establishment Agreement with the Districts, to authorize the Authority to incur financial obligations on behalf of the Districts and provide any Services as permitted by the Consolidated Service Plan. Pursuant to the Establishment Agreement, the Districts have authorized the Authority to fund the Services from lawful sources, including proceeds of revenue bonds, notes or other financial obligations issued by the Authority, which may be secured by pledged revenues from the Districts. The Districts have acknowledged that the Authority does not have financial resources to pay for its ongoing operations and administrative costs and anticipate that said costs shall be satisfied by pledged revenues from each of the Districts. Each District shall be entitled to appoint one director to serve on the Board of Directors for the Authority.

Funding and Reimbursement Agreement

On February 24, 2021, the Authority entered into the Funding and Reimbursement Agreement with Cohen Denver Airport, LLC (the Developer), to repay advances made by the Developer for Operations costs of the Authority. The Developer agreed to advance or expend funds on behalf of the Authority in maximum advance amount of \$100,000 which funds would be available to the Authority through December 31, 2022.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 AGREEMENTS (CONTINUED)

Funding and Reimbursement Agreement (Continued)

The Authority agreed to repay Developer for such advances plus accrued interest at the rate of 6.5%. The parties agreed and acknowledged that the Developer has incurred Costs on behalf of the Authority prior to execution of the Agreement in anticipation that the same would be reimbursed by the Authority. Reimbursement for Prior Costs shall be made in accordance with, and subject to the terms and conditions of this Agreement governing the reimbursement for Costs, except that any Prior Costs reimbursed in accordance with this agreement shall not be included in the calculation of the Maximum Loan Amount.

The Parties may terminate this Agreement by mutual written agreement of the Parties. Unless earlier terminated, this Agreement shall be in effect until December 31, 2022 and shall automatically renew for an additional one-year period at the end of that fiscal year and each fiscal year thereafter, provided, however, this Agreement and any obligation of the Authority to reimburse the Developer shall expire on the date that is 30 years after the Effective Date (the Termination Date). In the event the Authority has not reimbursed the Developer for any Advance(s) made pursuant to this Agreement on such Termination Date, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

As of December 31, 2021, outstanding advances under this agreement totaled \$85,326 and accrued interest totaled \$2,397.

Public Improvement Funding, Acquisition and Reimbursement Agreement

On February 24, 2021, the Authority entered into the Public Improvement Funding, Acquisition and Reimbursement Agreement (the FAA) with Developer. The FAA establishes the terms and conditions (a) upon which Developer may advance funds to or expend funds on behalf of the Authority for Authority Eligible Costs, and (b) upon which the Authority may make reimbursement to Developer for such advances and/or expenditures. The Parties acknowledge that the Authority does not presently have the funds to construct the Public Improvements, but in furtherance of the purposes of the Authority and the Districts as expressed in the Establish Agreement, the FAA provides a means by which the Authority may reimburse the Developer for certain Certified Authority Eligible Costs of Public Improvements financed and constructed by the Developer or for which the Developer advanced funds to the Authority to finance and construct. The Authority is authorized to accept any Public Improvements and/or Authority Eligible Costs for reimbursement.

As of December 31, 2021, outstanding advances under this agreement totaled \$0 and accrued interest totaled \$334.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 AGREEMENTS (CONTINUED)

Operating Agreement

On April 30, 2021, the Authority entered into the Operating Agreement (the Operating Agreement) with District No. 1, District No. 2, District No. 3, District No. 4, District No. 5, District No. 6, and District No. 7. Pursuant to the Operating Agreement, the Districts desire that the Authority undertake certain costs and expenses incurred in connection with the performance and provision of the Services. In order to fund the associated Authority costs, the Districts agreed to impose an ad valorem mill levy upon all taxable property of the Districts.

NOTE 9 INTERFUND TRANSFERS

The transfer from the Capital Projects Fund to the Debt Service Fund was related to capitalized interest and surplus accounts funded from proceeds of the 2021A-1 Senior Bonds.

NOTE 10 RISK MANAGEMENT

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

The Authority is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool 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 11 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, 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.

**LEGATO COMMUNITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 3, 2020, a majority of the electors of each District authorized the Districts to increase property taxes up to \$20,000,000 annually to pay the Districts administration and operations and maintenance expenses, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S. Additionally, the a majority of the electors of each District authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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. As of December 31, 2021, the Authority had provided for but based on lack of available tax revenues did not fund an Emergency Reserve, which may be a violation of the Constitutional Amendment. 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.

SUPPLEMENTARY INFORMATION

**LEGATO COMMUNITY AUTHORITY
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
PERIOD ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ -	\$ 300	\$ 300
Total Revenues	-	-	300	300
EXPENDITURES				
Bond Interest - Series 2021A-1	-	305,307	281,716	23,591
Contingency	-	24,693	-	24,693
Total Expenditures	-	330,000	281,716	48,284
NET CHANGE IN FUND BALANCE	-	(330,000)	(281,416)	48,584
OTHER FINANCING SOURCES (USES)				
Bond Issuance				-
Transfers from Other Funds	-	4,496,369	4,496,666	297
Total Other Financing Sources (Uses)	-	4,496,369	4,496,666	297
NET CHANGE IN FUND BALANCE	-	4,166,369	4,215,250	48,881
Fund Balance - Beginning of Period	-	-	-	-
FUND BALANCE - END OF PERIOD	\$ -	\$ 4,166,369	\$ 4,215,250	\$ 48,881

**LEGATO COMMUNITY AUTHORITY
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
PERIOD ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ -	\$ 1,899	\$ 1,899
Total Revenues	-	-	1,899	1,899
EXPENDITURES				
General:				
Legal	-	-	12,680	(12,680)
Miscellaneous	-	-	950	(950)
Debt Service:				
Bond Issue Costs	-	1,048,648	1,170,953	(122,305)
Capital Projects:				
Capital Outlay	-	29,025,860	1,427,976	27,597,884
Engineering	-	-	125,619	(125,619)
Total Expenditures	-	30,074,508	2,738,178	27,336,330
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(30,074,508)	(2,736,279)	27,338,229
OTHER FINANCING SOURCES (USES)				
Developer Advances	-	-	312,927	312,927
Repay Developer Advances	-	-	(312,927)	(312,927)
Transfers to Other Fund	-	(4,496,369)	(4,496,666)	(297)
Bond Proceeds-2021A-1	-	34,570,877	12,645,000	(21,925,877)
Bond Proceeds-2021A-2	-	-	15,527,806	15,527,806
Bond Proceeds-2021B	-	-	5,269,000	5,269,000
Bond Premium	-	-	1,188,162	1,188,162
Total Other Financing Sources (Uses)	-	30,074,508	30,133,302	58,794
NET CHANGE IN FUND BALANCE	-	-	27,397,023	27,397,023
Fund Balance - Beginning of Period	-	-	-	-
FUND BALANCE - END OF PERIOD	\$ -	\$ -	\$ 27,397,023	\$ 27,397,023

OTHER INFORMATION

LEGATO COMMUNITY AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021

\$12,645,000 Limited Tax Supported Revenue Bonds

Series 2021A-1

Dated June 15, 2021

Principal Due Annually December 1

Interest at 4.00% - 5.00%, Due June and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 610,950	\$ 610,950
2023	-	610,950	610,950
2024	-	610,950	610,950
2025	-	610,950	610,950
2026	-	610,950	610,950
2027	-	610,950	610,950
2028	80,000	610,950	690,950
2029	125,000	607,750	732,750
2030	170,000	602,750	772,750
2031	205,000	595,950	800,950
2032	255,000	587,750	842,750
2033	290,000	577,550	867,550
2034	315,000	565,950	880,950
2035	330,000	553,350	883,350
2036	360,000	540,150	900,150
2037	375,000	525,750	900,750
2038	410,000	507,000	917,000
2039	430,000	486,500	916,500
2040	470,000	465,000	935,000
2041	495,000	441,500	936,500
2042	540,000	416,750	956,750
2043	565,000	389,750	954,750
2044	615,000	361,500	976,500
2045	645,000	330,750	975,750
2046	695,000	298,500	993,500
2047	730,000	263,750	993,750
2048	790,000	227,250	1,017,250
2049	825,000	187,750	1,012,750
2050	890,000	146,500	1,036,500
2051	2,040,000	102,000	2,142,000
Total	<u>\$ 12,645,000</u>	<u>\$ 14,058,100</u>	<u>\$ 26,703,100</u>

LEGATO COMMUNITY AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021

\$15,527,806 Limited Tax Supported Convertible
Capital Appreciation Revenue Bonds Series 2021A-2

Dated June 15, 2021

Principal Due Annually December 1

Interest at 5.00%, Due June and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	1,016,750	1,016,750
2028	110,000	1,016,750	1,126,750
2029	185,000	1,011,250	1,196,250
2030	255,000	1,002,000	1,257,000
2031	310,000	989,250	1,299,250
2032	395,000	973,750	1,368,750
2033	455,000	954,000	1,409,000
2034	510,000	931,250	1,441,250
2035	530,000	905,750	1,435,750
2036	585,000	879,250	1,464,250
2037	615,000	850,000	1,465,000
2038	680,000	819,250	1,499,250
2039	710,000	785,250	1,495,250
2040	775,000	749,750	1,524,750
2041	815,000	711,000	1,526,000
2042	885,000	670,250	1,555,250
2043	930,000	626,000	1,556,000
2044	1,005,000	579,500	1,584,500
2045	1,055,000	529,250	1,584,250
2046	1,145,000	476,500	1,621,500
2047	1,200,000	419,250	1,619,250
2048	1,290,000	359,250	1,649,250
2049	1,360,000	294,750	1,654,750
2050	1,455,000	226,750	1,681,750
2051	3,080,000	154,000	3,234,000
Total	<u>\$ 20,335,000</u>	<u>\$ 17,930,750</u>	<u>\$ 38,265,750</u>

**LEGATO COMMUNITY AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021**

\$15,527,806 Limited Tax Supported Convertible
Capital Appreciation Revenue Bonds Series 2021A-2
Dated June 15, 2021

<u>Year Ending December 31,</u>	<u>Bond Accreted Value Table</u>
	<u>Annual Accretion</u>
2022	\$ 804,249
2023	844,919
2024	887,826
2025	932,563
2026	979,944
Total	\$ 4,449,501