

Golden Eagle Acres Metropolitan District No. 1

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2020

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REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Golden Eagle Acres Metropolitan District (the "District"), as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the *American Institute of Certified Public Accountants* ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions on the Financial Statements***

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Golden Eagle Acres Metropolitan District, as of December 31, 2020, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Supplementary Information*

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

#### *Management's Discussion and Analysis*

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

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
October XX, 2021

*BASIC FINANCIAL STATEMENTS*

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF NET POSITION

December 31, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Adjustments</u>	<u>Total</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 43,973	\$ 187	\$ -	\$ 44,160
User accounts receivable	-	1,047	-	1,047
Other receivables	1,913	-	-	1,913
Prepaid expenses	2,982	-	-	2,982
Total current assets	48,868	1,234	-	50,102
<b>NON-CURRENT ASSETS</b>				
Capital assets, net of accumulated depreciation	-	1,735,576	-	1,735,576
Total assets	48,868	1,736,810		1,785,678
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	23,248	852	-	24,100
Accrued interest payable	-	97,150	4,184	101,334
Developer advance	-	595,084	55,713	650,797
Other accrued liabilities	-	100	-	100
Total current liabilities	23,248	693,186	59,897	776,331
<b>LONG-TERM DEBT</b>				
Promissory note	-	1,200,000	-	1,200,000
<b>NET POSITION</b>				
Nonspendable	2,982	-	-	2,982
Restricted for emergencies	3,200	-	-	3,200
Unrestricted	19,438	(156,376)	-	(136,938)
Total net position	<u>\$ 25,620</u>	<u>\$ (156,376)</u>	<u>\$ (59,897)</u>	<u>\$ (190,653)</u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Governmental Activities	Business-Type Activities	Adjustments	Total
<b>OPERATING REVENUE</b>				
Irrigation water	\$ -	\$ 6,297	\$ -	\$ 6,297
Meter installation fees	9,394	-	-	9,394
Design review fees	9,550	-	-	9,550
Administrative transfer fees	600	-	-	600
	<u>19,544</u>	<u>6,297</u>	<u>-</u>	<u>25,841</u>
<b>OPERATING EXPENSES</b>				
Operations	16,730	6,534	-	23,264
General and administration	73,988	-	-	73,988
Landscaping	15,140	-	-	15,140
Depreciation	-	29,754	-	29,754
	<u>105,858</u>	<u>36,288</u>	<u>-</u>	<u>142,146</u>
<b>OPERATING LOSS</b>	<b>(86,314)</b>	<b>(29,991)</b>	<b>-</b>	<b>(116,305)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Development fees	55,000	-	-	55,000
Developer advances	18,213	-	(18,213)	-
Intergovernmental	51,520	-	-	51,520
Interest	-	(90,000)	(2,816)	(92,816)
Other	988	-	-	988
	<u>125,721</u>	<u>(90,000)</u>	<u>(21,029)</u>	<u>14,692</u>
<b>Net non-operating revenue</b>	<b>125,721</b>	<b>(90,000)</b>	<b>(21,029)</b>	<b>14,692</b>
<b>CHANGE IN NET POSITION</b>	<b>39,407</b>	<b>(119,991)</b>	<b>(21,029)</b>	<b>(101,613)</b>
<b>NET POSITION - beginning</b>	<b>(13,787)</b>	<b>(36,385)</b>	<b>(38,868)</b>	<b>(89,040)</b>
<b>NET POSITION - ending</b>	<b>\$ 25,620</b>	<b>\$ (156,376)</b>	<b>\$ (59,897)</b>	<b>\$ (190,653)</b>

The accompanying notes are an integral part of these financial statements

*FUND FINANCIAL STATEMENTS*



Golden Eagle Acres Metropolitan District No. 1

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2020

ASSETS

Cash and cash equivalents	\$ 43,973
Other receivables	1,913
Prepaid expenses	<u>2,982</u>

Total assets \$ 48,868

LIABILITIES

Accounts payable	\$ 23,248
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FUND BALANCE

Nonspendable	2,982
Restricted for emergencies	3,200
Unrestricted	<u>19,438</u>

Total fund balance 25,620

Total liabilities and fund balance \$ 48,868

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

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

For the Year Ended December 31, 2020

REVENUES	
Meter installation fees	\$ 9,394
Design review fees	9,550
Development fees	55,000
Administrative transfer fees	600
Developer advances	18,213
Intergovernmental	51,520
Other	988
	<hr/>
Total revenues	145,265
EXPENDITURES	
Operations	16,730
General and administration	73,988
Landscaping	15,140
	<hr/>
Total expenditures	105,858
CHANGE IN FUND BALANCE	39,407
FUND DEFICIT - beginning	<hr/> (13,787)
FUND BALANCE - ending	<hr/> <hr/> \$ 25,620

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

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

For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Meter installation fees	\$ -	\$ 9,394	\$ 9,394
Design review fees	-	9,550	9,550
Development fees	40,000	55,000	15,000
Administrative transfer fees	-	600	600
Developer advances	32,000	18,213	(13,787)
Intergovernmental	52,630	51,520	(1,110)
Other	10,000	988	(9,012)
	<u>134,630</u>	<u>145,265</u>	<u>10,635</u>
<b>EXPENDITURES</b>			
Operating	3,750	16,730	(12,980)
General and administration	119,250	73,988	45,262
Landscaping	10,000	15,140	(5,140)
	<u>133,000</u>	<u>105,858</u>	<u>27,142</u>
<b>CHANGE IN FUND BALANCE</b>	<u>\$ 1,630</u>	<u>\$ 39,407</u>	<u>\$ 37,777</u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF NET POSITION - PROPRIETARY FUND -  
WATER ENTERPRISE FUND

December 31, 2020

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	187
User accounts receivable		<u>1,047</u>
Total current assets		1,234
NON-CURRENT ASSETS		
Capital assets, net of accumulated depreciation		<u>1,735,576</u>
Total assets		1,736,810
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		852
Accrued interest payable		97,150
Developer advance		595,084
Other		<u>100</u>
Total current liabilities		693,186
NON-CURRENT LIABILITIES		
Promissory note		<u>1,200,000</u>
NET POSITION		
Unrestricted	\$	<u><u>(156,376)</u></u>

The accompanying notes are an integral part of these financial statements

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

For the Year Ended December 31, 2020

OPERATING REVENUE	
User fees and surcharges	\$ 6,297
OPERATING EXPENDITURES	
Operations	6,534
Depreciation	<u>29,754</u>
Total operating expenditures	<u>36,288</u>
OPERATING LOSS	(29,991)
NON-OPERATING EXPENSE	
Interest expense	<u>90,000</u>
CHANGE IN NET POSITION	(119,991)
NET POSITION - beginning	<u>(36,385)</u>
NET POSITION - ending	<u><u>\$ (156,376)</u></u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Acres Metropolitan District No. 1

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,476
Payments to suppliers	<u>(5,582)</u>
Net cash used by operating activities	(106)
CASH AND CASH EQUIVALENTS - beginning	<u>293</u>
CASH AND CASH EQUIVALENTS - ending	<u><u>\$ 187</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (29,991)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	29,754
Changes in assets and liabilities	
Accounts receivable	(821)
Accounts payable	852
Other accrued liabilities	<u>100</u>
Net cash used by operating activities	<u><u>\$ (106)</u></u>

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

*1. Reporting Entity*

The District was formed, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in August 2017, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed in conjunction with Golden Eagle Acres Metropolitan District Nos. 2 and 3 (the “Districts”). The District serves as the Coordinating District, along with District Nos. 2 and 3, serving as the Financing Districts. The District is governed by a five-member Board of Directors. The District is located in the Town of Severance, Colorado.

The Districts were formed to serve the needs of the approximately 158-acre Golden Eagle Acres mixed-use development being developed by Golden Eagle Acres, LLC (“the Developer”).

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

*2. Measurement Focus and Financial Reporting Framework*

*Business-Type Activities*

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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

*Governmental Activities*

The governmental activities financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

For 2020, the District has one Governmental Fund:

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

Additionally, the District has one proprietary fund:

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

3. *Cash and Cash Equivalents*

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

4. *Fair Value of Financial Instruments*

The District's financial instruments include various accounts receivable, accounts payable and accrued liabilities. The District estimates that the fair value of these financial instruments as of December 31, 2020, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.



NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

5. *Capital Assets*

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

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

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

6. *Property Taxes*

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

District No 2 and District No. 3 in their capacity as the Financing Districts levy and collect property taxes and then transfers the property taxes to the District under an intergovernmental service agreement. For 2020, the Districts transferred property taxes to the District in the amount of \$51,520 which is reflected as intergovernmental revenue.

7. *Use of Estimates*

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

NOTE B – BUDGET INFORMATION

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE B – BUDGET INFORMATION - *continued*

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

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

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

For 2020, the District's General Fund budgeted revenue exceeded budgeted expenditures by \$1,630. It was anticipated that the current year surplus would be used in subsequent years.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2020, all of the District's funds were held in eligible public depositories.

Golden Eagle Acres Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D – CAPITAL ASSETS

The changes in the District’s capital assets for the year ended December 31, 2020, are as follows:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Non-depreciable				
Water rights	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Depreciable				
Irrigation system	<u>595,084</u>	<u>-</u>	<u>-</u>	<u>595,084</u>
Total	1,795,084	-	-	1,795,084
Accumulated depreciation				
Irrigation system	<u>(29,754)</u>	<u>(29,754)</u>	<u>-</u>	<u>(59,508)</u>
Total	<u>(29,754)</u>	<u>(29,754)</u>	<u>-</u>	<u>(59,508)</u>
Net capital assets	<u>\$ 1,765,330</u>	<u>\$ (29,754)</u>	<u>\$ -</u>	<u>\$ 1,735,576</u>

NOTE E – RELATED PARTY TRANSACTIONS AND BALANCES

*Funding and Reimbursement Agreement – Operations and Maintenance Costs*

In December 2017, the Districts and the Developer entered into the Funding and Reimbursement Agreement under which the Developer agrees to advance funds as necessary to enable the Districts to pay administrative, operations and maintenance costs provided the Districts agree to repay such amounts in accordance with the terms of the Funding and Reimbursement Agreement. To further evidence the Districts’ obligation to repay the advanced funds, the Districts issued a promissory note in a principal amount not to exceed \$500,000. The promissory note shall be repayable only to the extent and in the amount of the advances made to the Districts. The advances shall bear simple interest at the rate of 2% plus the current Federal Reserve Board Prime Rate.

As of December 31, 2020, there was no outstanding balance.

As further discussed in NOTE M, in August 2021, the Funding and Reimbursement Agreement was superseded and the related promissory note was cancelled.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE E – RELATED PARTY TRANSACTIONS AND BALANCES - *continued**Advance and Reimbursement Agreement – Capital Costs*

In December 2017, the District and the Developer entered into the Advance and Reimbursement Agreement under which the Developer agrees to advance funds as necessary to enable the District to construct certain public improvements as described in the Service Plan provided the District agrees to repay such amounts in accordance with the terms of the Funding and Reimbursement Agreement. To further evidence the Districts' obligation to repay the advanced funds, the Districts issued a promissory note in a principal amount not to exceed \$4,037,147. The promissory note shall be repayable only to the extent and in the amount of the advances made to the District. The advances shall bear simple interest at the rate of 2% plus the current Federal Reserve Board Prime Rate.

As of December 31, 2020, there was no outstanding balance.

As further discussed in NOTE M, in August 2021, the Advance and Reimbursement Agreement was superseded and the related promissory note was cancelled.

*\$1.2 Million Promissory Note – Water Rights*

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

The promissory note matures in December 2029 and accrued interest at a rate of 7.5%. As of December 31, 2020, there was \$97,150 of accrued interest outstanding.

As further discussed in NOTE M, in August 2021, the promissory note and accrues interest was cancelled. However, the obligation of the District to pay the \$1.2 million remains.

*Change in Long-Term Debt*

The following is an analysis of the changes in the long-term debt for the year ended December 31, 2020:

	December 31, 2019	Additions	Payments	December 31, 2020	Due within One Year
\$1.2 million promissory note	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000	\$ -
Accrued interest	8,518	92,816	-	101,334	-
	<u>\$ 1,208,518</u>	<u>\$ 92,816</u>	<u>\$ -</u>	<u>\$ 1,301,344</u>	<u>\$ -</u>

Under the terms of the Promissory Notes, there are no required payments until the final maturity date; however, at the discretion of the Board of Directors the District may make payments should moneys be available.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

*Developer Advances*

During 2020, the Developer advanced the District \$18,713 for the payment of operational expenses. As of December 31, 2020, the Developer has cumulatively advanced the District \$55,713. The operational advances shall bear simple interest at the rate of 2% plus the current Federal Reserve Board Prime Rate.

In January 2019, the District accepted the costs for a non-potable irrigation water distribution system from the Developer in the amount of \$595,084.

The operational advance and the purchase price of the non-potable irrigation water distribution system are reflected as Developer Advances in the Statement of Net Position.

*Members of the Board of Directors*

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

NOTE F - DEBT ISSUANCE AUTHORIZATION

Under the District's Service Plan the District's maximum amount of indebtedness shall not exceed \$4,037,147

NOTE G – FUND BALANCE/NET POSITION

*Fund Balance*

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

*Fund Balance - continued*

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

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

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

As of December 31, 2020, the District’s fund balance consisted of the following:

	General Fund	Water Enterprise Fund	Total
Fund balances			
Nonspendable			
Prepaid expenses	\$ 2,982	\$ -	\$ 2,982
Restricted			
TABOR reserve	3,200	-	3,200
Unassigned	19,438	(156,376)	(136,938)
	<u>25,620</u>	<u>(156,376)</u>	<u>(130,753)</u>
Total fund balances	\$ <u>25,620</u>	\$ <u>(156,376)</u>	\$ <u>(130,753)</u>

*Net Position*

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

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE H – OTHER SOURCES OF REVENUE

*Development Fees*

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

NOTE I – RISK MANAGEMENT

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

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending and debt limitations which apply to the State of Colorado and all local governments.

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

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

NOTE K – CORONAVIRUS PANDEMIC

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

COVID-19 has adversely affected the economies and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures, and social restrictions that has impacted the operations of the District.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

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

The operational Developer advances are not due and payable in the current period and, therefore, is not reflected in the governmental fund,	\$ 55,713
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Interest expense is recognized in the governmental fund as paid; therefore accrued interest payable is only recognized on the Statement of Net Position,	4,184
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The Statements of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

Interest is recognized in the governmental fund as paid. For the Statement of Activities interest expense is recognized as incurred. This is the additional amount of interest expense incurred during the year 2020 and reflected in the Statement of Activities,	\$ 2,816
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Governmental funds report Developer advances as revenue. However, in the Statement of Activities, the revenue is eliminated as the Developer advance is reflected in the Statement of Net Position	18,213
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NOTE M – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through October XX, 2021, which is the date the financial statements and accompanying notes were available for issuance.

In August 2021, the Districts entered into an Acquisition and Reimbursement Agreement with the Developer which superseded the prior multiple funding and reimbursement agreements and the prior Improvement Acquisition Agreement which were entered into in December 2017. In addition, the various promissory notes and any related accrued interest, discussed in NOTE E were cancelled. However, the obligation for the previous Developer operational advances and the related accrued interest remains.



Golden Eagle Acres Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE M – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS – *continued*

The District also accepted the certified Capital Costs for the remaining public improvements which totaled \$3,493,249 which were conveyed by the Developer directly to the Town of Severance. Under the terms of the Acquisition and Reimbursement Agreement it is estimated that the District owes the Developer approximately \$4.1 million, Outstanding Reimbursable Amount, for certified remaining public improvements, prior advances and the purchase price of the non-potable irrigation water distribution system.

It is anticipated the District will issue bonds and the proceeds of which will be used to reimburse the Developer for the Outstanding Reimbursable Amount.

*SUPPLEMENTARY INFORMATION*

Golden Eagle Acres Metropolitan District No. 1

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

PROPRIETARY FUND - WATER ENTERPRISE FUND

For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance
REVENUES			
User fees	\$ 11,500	\$ 6,297	\$ (5,203)
EXPENDITURES			
General and administration	4,000	-	4,000
Operations	7,500	6,534	966
Interest	-	90,000	(90,000)
Total expenditures	<u>11,500</u>	<u>96,534</u>	<u>(85,034)</u>
EXPENDITURES IN EXCESS OF REVENUES NON-GAAP BUDGETARY BASIS	<u>\$ -</u>	(90,237)	<u>\$ 79,831</u>
RECONCILIATION TO CHANGE IN NET POSITION - US GAAP BASIS			
Depreciation		<u>(29,754)</u>	
CHANGE IN NET POSITION - US GAAP BASIS		<u>\$ (119,991)</u>	