

# **ENCORE ON 34 METROPOLITAN DISTRICT No. 1**

Larimer County, Colorado

**Financial Statements**  
**December 31, 2021**



**TABLE OF CONTENTS**


	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	I-II
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	1
Statement of Activities .....	2
Governmental Funds Balance Sheet and Reconciliation of Fund Balances to Net Position .....	3
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances .....	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	5
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—General Fund .....	6
Notes to Basic Financial Statements.....	7-16
<b>SUPPLEMENTARY INFORMATION</b>	
Statement of Revenue, Expenditures and Changes in Fund Balance —Actual and Budget—Governmental Fund Type—Capital Projects Fund.....	17



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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors  
Encore on 34 Metropolitan District No. 1  
Town of Johnstown, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Encore on 34 Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Encore on 34 Metropolitan District No. 1, as of December 31, 2021 and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Encore on 34 Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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 Encore on 34 Metropolitan District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Encore on 34 Metropolitan District No. 1'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 Encore on 34 Metropolitan District No. 1'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**

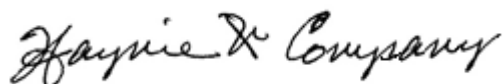
##### *Required Supplementary Information*

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

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Encore on 34 Metropolitan District No. 1's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado  
June 27, 2022

## **BASIC FINANCIAL STATEMENTS**

**Encore on 34 Metropolitan District No. 1**  
**Statement of Net Position**  
**December 31, 2021**

<b>Assets</b>	<u><b>Governmental Activities</b></u>
Cash and investments	\$ 13,170
Accounts receivable	10,385
Prepaid expense	300
Total assets	<u>\$ 23,855</u>
<b>Liabilities</b>	
Accounts payable	\$ 8,967
Accrued interest payable	14,799
Non-current liabilities:	
Due in more than one year	361,552
Total liabilities	<u>385,318</u>
<b>Net Position</b>	
Restricted for:	
Emergency	1,527
Unrestricted	<u>(362,990)</u>
Total Net Position	<u>(361,463)</u>
Total Liabilities and Net Position	<u>\$ 23,855</u>

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

**Encore on 34 Metropolitan District No. 1**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services and</u> <u>other fees</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary Government</u>  <u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 73,651	\$ -	\$ -	\$ -	\$ (73,651)
Interest and related costs on long term debt	34,452	-	-	-	(34,452)
	<u>\$ 108,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,103)</u>
General revenues:					
Service fees					296,684
Interest income					30
Total general revenues					<u>296,714</u>
Change in net position					188,611
Net position (deficit) - beginning of year					<u>(550,074)</u>
Net position (deficit) - end of year					<u>\$ (361,463)</u>

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

**Encore on 34 Metropolitan District No. 1**  
**Governmental Funds Balance Sheet**  
**and Reconciliation of Fund Balances to Net Position**  
**December 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 13,170	\$ -	\$ -	\$ 13,170
Accounts receivable	10,385	-	-	10,385
Prepaid expense	300	-	-	300
Total assets	\$ 23,855	\$ -	\$ -	\$ 23,855
<b>Liabilities</b>				
Accounts payable	\$ 8,967	\$ -	\$ -	\$ 8,967
Total liabilities	8,967	-	-	8,967
<b>Fund Balances</b>				
Nonspendable	300	-	-	300
Restricted:				
Emergency reserves	1,527	-	-	1,527
Unassigned	13,061	-	-	13,061
Total Fund Balances	14,888	-	-	14,888
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,855</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,855</b>

Total governmental fund balance per above \$ 14,888

Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Developer advances	(361,552)
Accrued interest	(14,799)
Net position of governmental activities	\$ (361,463)

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



**Encore on 34 Metropolitan District No. 1**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Service fees - District No. 2	\$ 295,886	\$ -	\$ -	\$ 295,886
Service fees - District No. 3	798	-	-	798
Interest income	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
Total General Revenues	<u>296,714</u>	<u>-</u>	<u>-</u>	<u>296,714</u>
<b>Expenditures</b>				
Current				
Accounting	9,540	-	-	9,540
Audit/Audit exemption	7,000	-	-	7,000
District management	11,040	-	-	11,040
Legal	21,352	-	-	21,352
Office, dues and other	1,657	-	-	1,657
Insurance	300	-	-	300
Debt service				
Developer advance repayment	-	-	266,845	266,845
Interest expense	-	-	37,855	37,855
Capital Outlay	<u>-</u>	<u>-</u>	<u>22,762</u>	<u>22,762</u>
Total Expenditures	<u>50,889</u>	<u>-</u>	<u>327,462</u>	<u>378,351</u>
<b>Excess of revenues over (under) expenditures</b>	245,825	-	(327,462)	(81,637)
<b>Other financing sources (uses)</b>				
Note proceeds	-	-	20,584	20,584
Developer advances	8,479	-	488	8,967
Interfund transfers	<u>(306,390)</u>	<u>-</u>	<u>306,390</u>	<u>-</u>
Total other financing sources (uses)	<u>(297,911)</u>	<u>-</u>	<u>327,462</u>	<u>29,551</u>
<b>Net change in fund balances</b>	(52,086)	-	-	(52,086)
<b>Fund balances:</b>				
Beginning of the year	<u>66,974</u>	<u>-</u>	<u>-</u>	<u>66,974</u>
End of the year	<u>\$ 14,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,888</u>

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

**Encore on 34 Metropolitan District No. 1**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2021**

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

Net change in fund balance—total governmental funds	\$	(52,086)
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Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.

Accrued interest - change in liability		3,403
Note proceeds		(20,584)
Developer advance		(8,967)
Developer advances repayment		<u>266,845</u>
Change in net position of governmental activities	\$	<u>188,611</u>

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

**Encore on 34 Metropolitan District No. 1**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances—Actual and Budget**  
**Governmental Fund Type—General Fund**  
**For the Year Ended December 31, 2021**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenue</b>				
Transfer in from District No.2	\$ 291,397	\$ 295,290	\$ 295,886	\$ 596
Transfer in from District No.3	786	796	798	2
Interest income	<u>1,000</u>	<u>26</u>	<u>30</u>	<u>4</u>
Total Revenue	<u>293,183</u>	<u>296,112</u>	<u>296,714</u>	<u>602</u>
<b>Expenditures</b>				
Accounting and Finance	15,000	15,000	9,540	5,460
Audit	7,000	7,000	7,000	-
District Management/Administration	10,800	10,800	11,040	(240)
Legal	10,000	35,000	21,352	13,648
Office, dues and other	2,000	1,750	1,657	93
Engineer	1,000	-	-	-
Insurance	336	300	300	-
Contingency	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total Expenditures	<u>56,136</u>	<u>79,850</u>	<u>50,889</u>	<u>28,961</u>
<b>Excess Revenue Over (Under) Expenditures</b>	<u>237,047</u>	<u>216,262</u>	<u>245,825</u>	<u>29,563</u>
<b>Other financing sources (uses)</b>				
Developer advance	-	32,360	8,479	(23,881)
Transfer out to capital project fund	<u>(270,000)</u>	<u>(305,740)</u>	<u>(306,390)</u>	<u>(650)</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(273,380)</u>	<u>(297,911)</u>	<u>(24,531)</u>
<b>Net change in fund balances</b>	(32,953)	(57,118)	(52,086)	(5,032)
<b>Fund Balances—Beginning of year</b>	<u>65,081</u>	<u>65,081</u>	<u>66,974</u>	<u>1,893</u>
<b>Fund Balances—End of Year</b>	<u>\$ 32,128</u>	<u>\$ 7,963</u>	<u>\$ 14,888</u>	<u>\$ (6,925)</u>

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

**Encore on 34 Metropolitan District No. 1**  
**Notes to Financial Statements**  
**December 31, 2021**

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**1. Definition of Reporting Entity**

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Encore on 34 Metropolitan District No. 1 (the District), a quasi-municipal corporation, was organized in November, 2014, is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District was formed, in connection with Encore on 34 Metropolitan District No. 2 (District No. 2) and Encore on 34 Metropolitan District No. 3 (District No. 3), to operate under the Consolidated Service Plan approved by Town Council in September, 2014. The District's service area is located in the Town of Johnstown, Larimer County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of the public improvements from the proceeds of debt to be issued by the Districts. The District is designated as the Operating District, District No. 2 is the Commercial District and District No. 3 is the Residential District.

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

The District has no employees and all operations and administrative functions are contracted.

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

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**2. Summary of Significant Accounting Policies**

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The more significant accounting policies of the District 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 District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

**Encore on 34 Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 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 government 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 District. The District 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 is due.

The District reports the following major governmental funds:

The General Fund is the District'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 fund.

**Encore on 34 Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgets**

In accordance with the State Budget Law, the District'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 level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund presented on the modified accrual basis of accounting unless otherwise indicated.

**Property Taxes**

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected. For the year ended December 31, 2021, the District did not have deferred property tax or property tax revenue.

**Encore on 34 Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fund Equity**

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

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or 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.

**Encore on 34 Metropolitan District No. 1  
Notes to Financial Statements (continued)  
December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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

**Restricted Fund Balance**

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (See Note 8).

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**3. Cash and Investments**

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

Statement of net position:

Cash and investments	<u>\$ 13,170</u>
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Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 47
Investments	<u>13,123</u>
Total cash and investments	<u>\$ 13,170</u>

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 equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2021, the District's cash deposits had a carrying and bank balance of \$13,170, of which all was FDIC insured.



**Encore on 34 Metropolitan District No. 1  
Notes to Financial Statements (continued)  
December 31, 2021**

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**3. Cash and Investments (continued)**

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**Investments**

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

The District 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 District 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 District had the following investments:

**Investment Maturity Fair Value**

Colorado Local Government Liquid Asset Trust (COLOTRUST) Weighted average under 60 days	<u>\$ 13,123</u>
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**Encore on 34 Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**3. Cash and Investments (continued)**

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**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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**4. Long-Term Liabilities**

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**Developer Advances**

In December 2015, the District, District No. 2 and District No. 3 (the Districts) entered into the Amended and Restated Advance and Reimbursement Agreement – Capital Costs (Capital Advance Agreement) with Miracle on 34, LLC, pursuant to which the Developer agreed to advance funds in an amount not to exceed \$66,000,000, in one or more installments. Under the Capital Advance Agreement, the funds are to be used exclusively for capital improvements within the Development as set forth in the annual budgets of the Districts. In addition, Miracle On 34, LLC may agree to renew its obligation hereunder on an annual basis, in which case the obligation termination date shall be amended to no earlier than December 31 of the subsequent year.

The Capital Advance Agreement prescribed that advances accrue interest at a simple interest rate of 8% from the date of each advance and any unpaid accrued interest will be added to the principal in the event that the advances are subsequently refunded by subordinate debt.

**Encore on 34 Metropolitan District No. 1  
Notes to Financial Statements (continued)  
December 31, 2021**

**4. Long-Term Liabilities (continued)**

The Districts also entered into the Amended and Restated Advance and Reimbursement Agreement - Operations and Maintenance Costs, (Operations Advance Agreement) with the Developer, pursuant to which Miracle On 34, LLC agreed to advance funds in an amount not to exceed \$500,000, in one or more installments and the advance bears a simple interest rate of the current federal reserve prime rate plus 2%. Under the terms of the Operations Advance Agreement, the funds are to be used for administrative, operations and maintenance costs within the Development as set forth in the annual budgets of the Districts. As of December 31, 2021, there were no operations advances outstanding.

The Consolidated Service Plan stated that the District cannot issue debt in excess of \$66,000,000 and all long-term debt is expected to be repaid by limited taxes imposed and collected for no longer than the maximum debt mill levy imposition term of residential properties and at a mill levy no higher than the commercial maximum debt mill levy for commercial properties. As of December 31, 2021, the District had \$66,000,000 remaining in electoral authorization.

In June 2021, the District terminated the Developer Agreement with Miracle On 34, LLC and the total amount of \$367,385 owed to Miracle On 34, LLC is outstanding as of 12/31/2021.

In November 2021, the District entered into the Funding and Reimbursement Agreement – Operations and Maintenance with Encore HoldCo, LLC (The Developer) to loan the District one or more sums of money, not to exceed the aggregate of \$50,000 per annum for three years up to \$150,000 as the maximum loan amount. The loan termination date is December 31, 2023. Thereafter, EHC may agree to renew its obligations hereunder by providing written notice thereof to the District, in which case the loan obligation date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year.

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

	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Payment</b>	<b>Balance at December 31, 2021</b>	<b>Due Within One Year</b>
Developer Advances	\$ 598,846	\$ 29,551	\$ (266,845)	\$ 361,552	\$ -
Accrued interest	18,201	34,453	(37,855)	14,799	-
	<u>\$ 617,047</u>	<u>\$ 64,004</u>	<u>\$ (304,700)</u>	<u>\$ 376,351</u>	<u>\$ -</u>

**Encore on 34 Metropolitan District No. 1  
Notes to Financial Statements (continued)  
December 31, 2021**

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**5. Net Position**

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The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted assets include the net position that is 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 District had restricted net position as of December 31, 2021 as follows:

Restricted net position:

Emergency Reserves (see Note 8)	\$ 1,527
Total restricted net position	<u>\$ 1,527</u>

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**6. Risk Management**

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The District's unrestricted net position as of December 31, 2021 is \$(362,990). The deficit in unrestricted net position is due to the District being responsible for the repayment of debt related to the acquisition of capital assets that have been conveyed to other entities.

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. 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 District 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.

**Encore on 34 Metropolitan District No. 1**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**7. Tax, Spending and Debt Limitations**

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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.

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

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**8. Related Parties**

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All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. District management believes that all potential conflicts, if any, have been properly disclosed.

## **Supplementary Information**

**Encore on 34 Metropolitan District No. 1**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balance—Actual and Budget**  
**Governmental Fund Type—Capital Projects Fund**  
**For the Year Ended December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>				
Note proceeds	\$ -	\$ -	\$ 20,584	\$ 20,584
Total Revenue	<u>-</u>	<u>-</u>	<u>20,584</u>	<u>20,584</u>
<b>Expenditures:</b>				
Developer reimbursement	270,000	305,740	304,700	1,040
Total Expenditures	<u>270,000</u>	<u>305,740</u>	<u>304,700</u>	<u>1,040</u>
<b>Excess Revenue Over (Under)</b>				
<b>Expenditures</b>	<u>(270,000)</u>	<u>(305,740)</u>	<u>(284,116)</u>	<u>21,624</u>
<b>Other financing sources (uses)</b>				
Developer advance	-	-	488	488
Capital outlay	-	-	(22,762)	(22,762)
Transfer in from general fund	270,000	305,740	306,390	650
Total other financing sources (uses)	<u>270,000</u>	<u>305,740</u>	<u>284,116</u>	<u>(21,624)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance—Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>