

WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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## Independent Auditor's Report

Board of Directors  
Whispering Pines Metropolitan District No. 1  
Arapahoe County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Whispering Pines Metropolitan District No. 1 (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, 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; 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Whispering Pines Metropolitan District No. 1 as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

## Other Matters

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 opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental 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 financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,



Wipfli LLP  
Lakewood, Colorado

September 23, 2021

## Whispering Pines Metropolitan District No. 1

### BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2020

|   | <u>General</u>    | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>        | <u>Adjustments</u>    | <u>Statement<br/>of<br/>Net Position</u> |
|---|-------------------|-------------------------|-----------------------------|---------------------|-----------------------|--|
| <b>ASSETS</b>   |                   |                         |                             |                     |                       |  |
| Cash and investments  | \$ 14,566         | \$ -                    | \$ -                        | \$ 14,566           | \$ -                  | \$ 14,566                                |
| Cash and investments - restricted                                     | -                 | 3,024,431               | 996                         | 3,025,427           | -                     | 3,025,427                                |
| Receivable - County Treasurer   | 1,765             | 6,001                   | -                           | 7,766               | -                     | 7,766                                    |
| Property taxes receivable   | 518,503           | 1,369,260               | -                           | 1,887,763           | -                     | 1,887,763                                |
| Accounts receivable - developer                                       | 75,000            | -                       | 1,224,284                   | 1,299,284           | (1,299,284)           | -  |
| Accounts receivable - other   | 9,062             | -                       | 74,040                      | 83,102              | -                     | 83,102                                   |
| Prepaid expenses  | 445               | -                       | -                           | 445                 | -                     | 445                                      |
| Due from other funds  | -                 | 74,692                  | 5,735                       | 80,427              | -                     | 80,427                                   |
| Capital assets not being depreciated                                  | -                 | -                       | -                           | -                   | 33,762,227            | 33,762,227                               |
| Total Assets  | <u>\$ 619,341</u> | <u>\$ 4,474,384</u>     | <u>\$ 1,305,055</u>         | <u>\$ 6,398,780</u> | <u>32,462,943</u>     | <u>38,861,723</u>                        |
| <b>LIABILITIES</b>  |                   |                         |                             |                     |                       |  |
| Accounts payable  | \$ 50,515         | \$ -                    | \$ 1,215,988                | \$ 1,266,503        | -                     | 1,266,503                                |
| Retainage payable   | -                 | -                       | 89,067                      | 89,067              | -                     | 89,067                                   |
| ARI Payable   | -                 | 424                     | -                           | 424                 | -                     | 424                                      |
| Accrued interest  | -                 | -                       | -                           | -                   | 2,856,273             | 2,856,273                                |
| Due to other funds  | 80,427            | -                       | -                           | 80,427              | -                     | 80,427                                   |
| Long-term liabilities:  |                   |                         |                             |                     |                       |  |
| Due in more than one year   | -                 | -                       | -                           | -                   | 42,481,241            | 42,481,241                               |
| Total Liabilities   | <u>130,942</u>    | <u>424</u>              | <u>1,305,055</u>            | <u>1,436,421</u>    | <u>45,337,514</u>     | <u>46,773,935</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                   |                         |                             |                     |                       |  |
| Deferred property taxes   | <u>518,503</u>    | <u>1,369,260</u>        | <u>-</u>                    | <u>1,887,763</u>    | <u>-</u>              | <u>1,887,763</u>                         |
| Total Deferred Inflows of Resources                                   | <u>518,503</u>    | <u>1,369,260</u>        | <u>-</u>                    | <u>1,887,763</u>    | <u>-</u>              | <u>1,887,763</u>                         |
| <b>FUND BALANCES/NET POSITION</b>                                     |                   |                         |                             |                     |                       |  |
| Fund Balances:  |                   |                         |                             |                     |                       |  |
| Nonspendable:   |                   |                         |                             |                     |                       |  |
| Prepays   | 445               | -                       | -                           | 445                 | (445)                 | -  |
| Restricted:   |                   |                         |                             |                     |                       |  |
| Emergencies   | 16,891            | -                       | -                           | 16,891              | (16,891)              | -  |
| Debt service  | -                 | 3,104,700               | -                           | 3,104,700           | (3,104,700)           | -  |
| Unassigned  | <u>(47,440)</u>   | <u>-</u>                | <u>-</u>                    | <u>(47,440)</u>     | <u>47,440</u>         | <u>-</u>                                 |
| Total Fund Balances   | <u>(30,104)</u>   | <u>3,104,700</u>        | <u>-</u>                    | <u>3,074,596</u>    | <u>(3,074,596)</u>    | <u>-</u>                                 |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 619,341</u> | <u>\$ 4,474,384</u>     | <u>\$ 1,305,055</u>         | <u>\$ 6,398,780</u> |                       |  |
| Net Position:   |                   |                         |                             |                     |                       |  |
| Restricted for:   |                   |                         |                             |                     |                       |  |
| Emergencies   |                   |                         |                             |                     | 16,891                | 16,891                                   |
| Debt service  |                   |                         |                             |                     | 248,427               | 248,427                                  |
| Unrestricted  |                   |                         |                             |                     | <u>(10,065,293)</u>   | <u>(10,065,293)</u>                      |
| Total Net Position  |                   |                         |                             |                     | <u>\$ (9,799,975)</u> | <u>\$ (9,799,975)</u>                    |

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

**Whispering Pines Metropolitan District No. 1**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2020

|  | <u>General</u>     | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total</u>        | <u>Adjustments</u>    | <u>Statement<br/>of<br/>Activities</u> |
|--|--------------------|-------------------------|-----------------------------|---------------------|-----------------------|--|
| <b>EXPENDITURES</b>  |                    |                         |                             |                     |                       |  |
| Accounting and audit   | \$ 20,480          | \$ -                    | \$ 2,879                    | \$ 23,359           | \$ (2,879)            | \$ 20,480                              |
| Election expense   | 16,827             | -                       | -                           | 16,827              | -                     | 16,827                                 |
| Insurance  | 17,429             | -                       | -                           | 17,429              | -                     | 17,429                                 |
| Legal  | 54,527             | -                       | 9,622                       | 64,149              | (9,622)               | 54,527                                 |
| Administration   | 69,363             | -                       | -                           | 69,363              | -                     | 69,363                                 |
| Pool   | 40,892             | -                       | -                           | 40,892              | -                     | 40,892                                 |
| Miscellaneous expenses                                       | 17,896             | -                       | -                           | 17,896              | -                     | 17,896                                 |
| Snow removal   | 14,958             | -                       | -                           | 14,958              | -                     | 14,958                                 |
| Utilities  | 80,228             | -                       | -                           | 80,228              | -                     | 80,228                                 |
| Landscaping  | 100,663            | -                       | -                           | 100,663             | -                     | 100,663                                |
| Irrigation   | 17,598             | -                       | -                           | 17,598              | -                     | 17,598                                 |
| Trash Service  | 72,320             | -                       | -                           | 72,320              | -                     | 72,320                                 |
| Pet waste stations   | 336                | -                       | -                           | 336                 | -                     | 336                                    |
| Litigation expense   | 10,997             | -                       | -                           | 10,997              | -                     | 10,997                                 |
| Planning & engineering                                       | -                  | -                       | 29,538                      | 29,538              | (29,538)              | -                                      |
| Construction Mgmt/Reg Impr.                                  | -                  | -                       | 143,580                     | 143,580             | (143,580)             | -                                      |
| Erosion control  | -                  | -                       | 1,003,169                   | 1,003,169           | (1,003,169)           | -                                      |
| Park and recreation  | -                  | -                       | 268,309                     | 268,309             | (268,309)             | -                                      |
| Treasurer's fees   | 5,335              | 17,277                  | -                           | 22,612              | -                     | 22,612                                 |
| Regional mill levy   | -                  | 22,475                  | -                           | 22,475              | -                     | 22,475                                 |
| Bond Interest - Series 2017A                                 | -                  | 966,000                 | -                           | 966,000             | (11,534)              | 954,466                                |
| Bond Interest - Series 2017B                                 | -                  | 86,559                  | -                           | 86,559              | 252,669               | 339,228                                |
| Bond Principal - Series 2017A                                | -                  | 374,000                 | -                           | 374,000             | (374,000)             | -                                      |
| Trustee Fees   | -                  | 6,000                   | -                           | 6,000               | -                     | 6,000                                  |
| Subordinate debt interest                                    | -                  | -                       | -                           | -                   | 406,576               | 406,576                                |
| Developer advances - principal                               | -                  | -                       | 621,044                     | 621,044             | (621,044)             | -                                      |
| Developer advances - interest                                | -                  | -                       | 893,980                     | 893,980             | 217,186               | 1,111,166                              |
| <b>Total Expenditures</b>                                    | <u>539,849</u>     | <u>1,472,311</u>        | <u>2,972,121</u>            | <u>4,984,281</u>    | <u>(1,587,244)</u>    | <u>3,397,037</u>                       |
| <b>PROGRAM REVENUES</b>                                      |                    |                         |                             |                     |                       |  |
| System development fees                                      | -                  | 315,000                 | -                           | 315,000             | -                     | 315,000                                |
| <b>Total Program Revenues</b>                                | <u>-</u>           | <u>315,000</u>          | <u>-</u>                    | <u>315,000</u>      | <u>-</u>              | <u>315,000</u>                         |
| <b>Net Program Income (Expenses)</b>                         | <u>(539,849)</u>   | <u>(1,157,311)</u>      | <u>(2,972,121)</u>          | <u>(4,669,281)</u>  | <u>1,587,244</u>      | <u>(3,082,037)</u>                     |
| <b>GENERAL REVENUES</b>                                      |                    |                         |                             |                     |                       |  |
| Property taxes   | 342,292            | 1,141,327               | -                           | 1,483,619           | -                     | 1,483,619                              |
| Specific ownership taxes                                     | 25,567             | 86,927                  | -                           | 112,494             | -                     | 112,494                                |
| Clubhouse rental   | 1,450              | -                       | -                           | 1,450               | -                     | 1,450                                  |
| Insurance refund   | 8,500              | -                       | -                           | 8,500               | -                     | 8,500                                  |
| Property taxes - ARI   | -                  | 22,475                  | -                           | 22,475              | -                     | 22,475                                 |
| COVID Grant  | 37,566             | -                       | -                           | 37,566              | -                     | 37,566                                 |
| Interest income  | 319                | 9,733                   | 21,589                      | 31,641              | -                     | 31,641                                 |
| Miscellaneous income   | 18,719             | -                       | 968                         | 19,687              | -                     | 19,687                                 |
| <b>Total General Revenues</b>                                | <u>434,413</u>     | <u>1,260,462</u>        | <u>22,557</u>               | <u>1,717,432</u>    | <u>-</u>              | <u>1,717,432</u>                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <u>(105,436)</u>   | <u>103,151</u>          | <u>(2,949,564)</u>          | <u>(2,951,849)</u>  | <u>1,587,244</u>      | <u>(1,364,605)</u>                     |
| <b>OTHER FINANCING SOURCES</b>                               |                    |                         |                             |                     |                       |  |
| Developer advances   | 75,332             | -                       | -                           | 75,332              | (75,332)              | -                                      |
| Developer advances - regional improvements                   | -                  | -                       | 1,374,234                   | 1,374,234           | (1,374,234)           | -                                      |
| Transfers to/from other funds                                | -                  | 460,559                 | (460,559)                   | -                   | -                     | -                                      |
| <b>Total Other Financing Sources</b>                         | <u>75,332</u>      | <u>460,559</u>          | <u>913,675</u>              | <u>1,449,566</u>    | <u>(1,449,566)</u>    | <u>-</u>                               |
| <b>NET CHANGES IN FUND BALANCES</b>                          | <u>(30,104)</u>    | <u>563,710</u>          | <u>(2,035,889)</u>          | <u>(1,502,283)</u>  | <u>1,502,283</u>      |  |
| <b>CHANGE IN NET POSITION</b>                                |                    |                         |                             |                     | <u>(1,364,605)</u>    | <u>(1,364,605)</u>                     |
| <b>FUND BALANCES/NET POSITION:</b>                           |                    |                         |                             |                     |                       |  |
| BEGINNING OF YEAR  | -                  | 2,540,990               | 2,035,889                   | 4,576,879           | (13,012,249)          | (8,435,370)                            |
| END OF YEAR  | <u>\$ (30,104)</u> | <u>\$ 3,104,700</u>     | <u>\$ -</u>                 | <u>\$ 3,074,596</u> | <u>\$(12,874,571)</u> | <u>\$ (9,799,975)</u>                  |

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

## Whispering Pines Metropolitan District No. 1

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

For the Year Ended December 31, 2020

|  | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u>      | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|--|---------------------------|------------------------|--------------------|---|
| <b>REVENUES</b>  |                           |                        |                    |   |
| Property taxes   | \$ 360,780                | \$ 360,780             | \$ 342,292         | \$ (18,488)                                   |
| Specific ownership taxes                                     | 28,862                    | 25,000                 | 25,567             | 567   |
| Clubhouse rental   | 2,000                     | 2,000                  | 1,450              | (550)   |
| Insurance refund   | -                         | 8,500                  | 8,500              | -   |
| COVID Grant  | -                         | 38,000                 | 37,566             | (434)   |
| Interest income  | 500                       | 500                    | 319                | (181)   |
| Miscellaneous income   | 3,000                     | 12,000                 | 18,719             | 6,719   |
| Total Revenues   | <u>395,142</u>            | <u>446,780</u>         | <u>434,413</u>     | <u>(12,367)</u>                               |
| <b>EXPENDITURES</b>  |                           |                        |                    |   |
| Accounting and audit   | 20,000                    | 20,000                 | 20,480             | (480)   |
| Election expense   | 25,000                    | 16,827                 | 16,827             | -   |
| Insurance  | 8,500                     | 17,429                 | 17,429             | -   |
| Legal  | 25,000                    | 62,000                 | 54,527             | 7,473   |
| Administration   | 55,620                    | 70,000                 | 69,363             | 637   |
| Pool   | 60,000                    | 60,000                 | 40,892             | 19,108  |
| Landscaping  | 82,000                    | 90,000                 | 100,663            | (10,663)                                      |
| Trash Service  | 65,000                    | 65,000                 | 72,320             | (7,320)                                       |
| Social committee   | 15,000                    | -                      | -                  | -   |
| Pet waste stations   | -                         | 1,400                  | 336                | 1,064   |
| Litigation expense   | -                         | -                      | 10,997             | (10,997)                                      |
| Miscellaneous expenses                                       | 1,000                     | 14,000                 | 17,896             | (3,896)                                       |
| Irrigation   | 4,000                     | 17,000                 | 17,598             | (598)   |
| Snow removal   | 30,000                    | 30,000                 | 14,958             | 15,042  |
| Utilities  | 30,000                    | 60,000                 | 80,228             | (20,228)                                      |
| Reserves   | 47,265                    | -                      | -                  | -   |
| Treasurer's fees   | 5,412                     | 5,412                  | 5,335              | 77  |
| Emergency reserve  | 10,234                    | 10,932                 | -                  | 10,932  |
| Total Expenditures   | <u>484,031</u>            | <u>540,000</u>         | <u>539,849</u>     | <u>151</u>                                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <b>(88,889)</b>           | <b>(93,220)</b>        | <b>(105,436)</b>   | <b>(12,216)</b>                               |
| <b>OTHER FINANCING SOURCES</b>                               |                           |                        |                    |   |
| Developer advances   | 87,341                    | 75,000                 | 75,332             | 332   |
| Total Other Financing Sources                                | <u>87,341</u>             | <u>75,000</u>          | <u>75,332</u>      | <u>332</u>                                    |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(1,548)</b>            | <b>(18,220)</b>        | <b>(30,104)</b>    | <b>(11,884)</b>                               |
| <b>FUND BALANCE:</b>   |                           |                        |                    |   |
| BEGINNING OF YEAR  | 1,548                     | -                      | -                  | -   |
| END OF YEAR  | <u>\$ -</u>               | <u>\$ (18,220)</u>     | <u>\$ (30,104)</u> | <u>\$ (11,884)</u>                            |

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

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Note 1: Summary of Significant Accounting Policies

The accounting policies of Whispering Pines Metropolitan District No. 1 (the “District”), located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized in 2005, as a quasi-municipal organization established under the State of Colorado Special District Act. The District’s service area is located entirely within the City of Aurora (“City”). The District was established to finance the construction and acquisition of arterial roadways, major storm drainage facilities, traffic safety protection, potable water systems, sewer systems, irrigation systems, and recreation facilities that benefit the citizens of the District. Upon completion, the District will dedicate these facilities to the City or other appropriate jurisdiction for maintenance and operation except for park and recreation facilities which the District will maintain. When the District satisfies the terms of its outstanding indebtedness and contractual obligation, the City may require the District to begin dissolution proceedings. The District's primary revenues are property taxes and developer advances. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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



# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

The District reports the following major governmental funds:

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

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

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

### Budgetary Accounting

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

In March 2020, the District amended its total appropriations in the General Fund from \$484,031 to \$472,413 primarily due to the decrease in the amount of developer advances budgeted to be received by the District. In November 2020, the District amended its total appropriations in the General Fund from \$472,413 to \$540,000 primarily due to the unexpected increase in legal, insurance and utilities expenditures, in the Capital Projects Fund from \$1,945,654 to \$2,100,000 primarily due to the repayment of developer advances and transfers to the Debt Service Fund that had not been budgeted and in the Debt Service Fund from \$1,014,834 to \$1,475,000 primarily due to the extraordinary redemption of the Series 2017A Bonds. In April 2021, the District amended its total appropriations in the Capital Projects Fund from \$2,100,000 to \$3,500,000 primarily due to the unexpected increase in capital expenditures over the amount budgeted.

### Assets, Liabilities and Net Position

#### Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Deposits and Investments

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

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

### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

### Long-Term Obligations

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

### Original Issue Discount and Prepaid Debt Insurance

Original issue premium from the Series 2017A Bonds is being amortized over the term of the bonds using the interest method. Accumulated amortization of original issue premium amounted to \$29,374, at December 31, 2020.

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. The District had no depreciation expense in 2020.

### Property Taxes

Property taxes are levied by the District’s 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 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

### Fund Equity

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

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$445 represents prepaid expenditures.

### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$16,891 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$3,104,700 is restricted for the payment of the debt service costs associated with the District's Series 2017 A Bonds (see Note 4).

### Committed Fund Balance

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

### Assigned Fund Balance

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

### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

### Net Position

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

WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

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 of 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 are available, the District will use the most restrictive net position first.

Deficits

The General Fund reported a deficit fund balance in the fund financial statements of \$30,104.

The deficit is anticipated to be eliminated with the receipt of property and specific ownership taxes and developer contributions during 2021.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Statement of Net Position:        |                     |
| Cash and investments              | \$ 14,566           |
| Cash and investments – Restricted | <u>3,025,427</u>    |
|                                   | \$ <u>3,039,993</u> |

Cash and investments as of December 31, 2020, consist of the following:

|                                      |                     |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 14,566           |
| COLOTRUST                            | <u>3,025,427</u>    |
|                                      | \$ <u>3,039,993</u> |

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Deposits

#### Custodial Credit Risk

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

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

### Investments

#### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

As of December 31, 2020, the District had the following investment:

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST.

WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$3,025,427 invested in COLOTRUST.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

| <u>Governmental Type Activities:</u>         | <u>Balance<br/>1/1/2020</u> | <u>Additions</u>    | <u>Deletions</u> | <u>Balance<br/>12/31/2020</u> |
|--|-----------------------------|---------------------|------------------|-------------------------------|
| <u>Capital assets not being depreciated:</u> |                             |                     |                  |                               |
| Construction in Progress                     | \$ 32,305,130               | \$ 1,457,097        | \$ -             | \$ 33,762,227                 |
| Total capital assets not being depreciated   | <u>32,305,130</u>           | <u>1,457,097</u>    | <u>-</u>         | <u>33,762,227</u>             |
| Government type assets, net                  | <u>\$ 32,305,130</u>        | <u>\$ 1,457,097</u> | <u>\$ -</u>      | <u>\$ 33,762,227</u>          |

The District will dedicate all of the Public Improvements to the City or other appropriate jurisdiction other than park and recreation improvements. The District will maintain the park and recreation improvements.



WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

Note 4: Long-term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

\$19,320,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2017A and \$3,985,000 Subordinate Limited Tax General Obligation Bonds, Series 2017B

On December 15, 2017, the District issued \$19,320,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2017A (“Series 2017A Bonds”) and \$3,985,000 Subordinate Limited Tax General Obligation Bonds, Series 2017B (“Series 2017B Bonds”). The Series 2017A Bonds were issued, for the purpose of financing the costs of public improvements, refunding a portion of the 2014 Notes, funding the Senior Reserve Fund, paying capitalized interest on the 2017A Bonds and paying the cost of issuance of the Bonds. The Series 2017B Bonds were issued for the purpose of financing and reimbursing the cost of public improvements. The Series 2017A Bonds bear interest at the rate of 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2018. The Series 2017B Bonds bear interest at the rate of 7.375%, payable annually on December 15, commencing on December 15, 2018, to the extent that Subordinate Pledged Revenue is available.

The Series 2017A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2025 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2017A Bonds are secured by the Senior Property Tax Revenue, the Capital Fees, the Senior Specific Ownership Tax Revenue, and any other legally available moneys as determined by the District. The Series 2017A Bonds are also secured by the Senior Surplus Fund. The Series 2017B Bonds are secured by the Subordinate Property Tax Revenue, the Subordinate Capital Fee Revenue, if any, the Subordinate Specific Ownership Tax, and any other legally available monies as determined by the District.

In the event there are any moneys remaining in the Restricted Account of the Senior Project Fund on October 15, 2020, in amounts sufficient to redeem any Bonds on December 1, 2020, such moneys shall be applied to the mandatory excess funds redemption on the Bonds on December 1, 2020. On December 1, 2020, the District redeemed \$374,000 of the Series 2017A Bonds in accordance with this provision.

The Series 2017B Bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the Series 2017B Bonds remain outstanding on December 15, 2055, such amounts shall be deemed discharged and shall no longer be due and outstanding.

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

In the event there are any moneys remaining in the Restricted Account of the Subordinate Project Fund on October 15, 2020, in amounts sufficient to redeem any Bonds on December 15, 2020, such moneys shall be applied to the mandatory excess funds redemption on the Bonds on December 15, 2020. On December 15, 2020, the District paid \$86,559 of accrued interest on the Series 2017B Bonds in accordance with this provision.

### Metro District Improvement Agreement

On December 9, 2014 the District entered into a Metro District Improvement Agreement (“MDIA”) with The Ryland Group, Inc. now known as CalAtlantic Homes (“CalAtlantic”), Shea Homes limited Partnership (“Shea”) and Tri Pointe Homes, Inc. (“Tri Pointe”) whereby the District has agreed to construct certain District Improvements and CalAtlantic, Shea and Tri Pointe have agreed to fund a Draw Reserve Fund of \$2,000,000 each into an escrow account, and to advance funds necessary to complete construction of the District Improvements, in the gross amount of one third each of the Construction Budget subject to reimbursement of their respective advances by the District. The District agreed to reimburse CalAtlantic, Shea and Tri Pointe from proceeds from the Limited Tax General Obligation Note Series 2014A and 2014B (“2014A Note” and “2014B Note”, or the “2014 Notes”) with Vectra Bank Colorado, National Association, which have been refunded by the Series 2017A and Series 2017B Bonds, equally each time an advance is made under the 2014 Notes up to the total amount advanced by each party. The District appointed CalAtlantic to act as the construction manager and will be paid an amount equal to 4% of the amount of each draw. During 2020, CalAtlantic, Shea and Tri Pointe advanced additional funds of \$408,741, \$0 and \$56,048, respectively, under this agreement. During 2020, the District reimbursed CalAtlantic \$1,515,024, with \$893,980 applied to accrued interest and \$621,044 applied to reimburse advances.

### Metro District Improvements Draw Reserve Fund Escrow Agreement

On December 9, 2014 the District entered into a Metro District Improvements Draw Reserve Fund Escrow Agreement with CalAtlantic, Shea, Tri Pointe and Land Title Guarantee Company (“Escrow Holder”) whereby in the event that CalAtlantic, Shea or Tri Pointe fail to fund within 20 days of the draw request its one third portion under the MDIA, the District will be entitled to draw out of the escrow the unpaid portion of the draw request including the construction manager fee with a two business day notice. The party that failed to fund its one third portion shall be obligated to replenish the draw reserve fund within five business days thereafter and any unpaid amounts shall accrue interest at 18% per annum until paid. Upon payment in full of all draw requests, the balance of the Draw Reserve Fund will be released to CalAtlantic, Shea and Tri Pointe in accordance with their respective interests therein or credited against any final draw request.

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

### Taxable Subordinate Limited Tax Bonds Series 2014

On December 30, 2014 the District issued \$3,457,029 of Taxable Subordinate Limited Tax Bonds Series 2014 (“2014 Sub Bonds”) for the purpose of reimbursing CalAtlantic for advances made to the District under the Funding and Reimbursement Agreement. The 2014 Sub Bonds bear interest at 8% per annum and is payable to the extent Subordinate Pledged Revenue is available on December 10 commencing on December 10, 2015, to the extent interest is not paid when due such interest shall compound on each interest payment date. The 2014 Sub Bonds mature on December 10, 2054. The 2014 Sub Bonds are payable from excess funds in the Surplus Fund for the 2014 Notes, which have been refunded by the Series 2017A and Series 2017B Bonds. In the first year that Pledged Revenue equals or exceeds \$900,000 and the Debt Service Coverage Ratio, as defined, exceeds 1.25, 50% of deposits in the Surplus fund in excess of \$600,000 will be used to accomplish prepayments of the 2014 Sub Bonds. During 2020, no interest payments were made and accrued and compounded interest of \$404,688 was added to the 2014 Sub Bonds resulting in a balance of \$5,463,294 as of December 31, 2020.

### Funding and Reimbursement Agreement

On October 1, 2013 the District entered into a Funding and Reimbursement Agreement with CalAtlantic, whereby CalAtlantic agreed to advance funds for ongoing capital and operations and maintenance expenses through December 31, 2016, and the District agreed to reimburse CalAtlantic for these advances plus interest at 7% per annum. Payments to reimburse CalAtlantic will be made on June 1 of each year and applied first to accrued unpaid interest and then to principal. The agreement will expire on December 31, 2033 and any obligation of the District to reimburse CalAtlantic will expire on December 31, 2043 when any amounts not reimbursed will be deemed to be forever discharged and satisfied in full.

### Operation Funding Agreement

On January 1, 2017, the District and CalAtlantic Group, Inc., Shea Homes Limited Partnership and Tripointe Homes, Inc. (collectively known as the “Developers”) entered an Operation Funding Agreement (the “Operation Agreement”). Pursuant to the Operation Agreement, the Developers agreed to advance the District shortfall revenues available for operations and maintenance expenses in prior years in the aggregate amount of \$56,962 and anticipated shortfall revenues available for operations and maintenance expenses in 2017 in an aggregate amount of \$105,000. The Advances shall bear simple interest at a rate of 7% per annum from the date of deposit into the District’s account, until paid. The term of the Operation Agreement expires on December 31, 2036, unless terminated earlier by the mutual agreement of the Parties. The obligation to subsidize the shortfall for each individual Developer shall not extend beyond the date of the last closing in the District for the specific Developer. Any obligation of the District to reimburse the Developers shall expire on December 31, 2046. The District intends to repay any amounts the Developers have advanced, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties and charges and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. During 2020 the Developers notified the District of their intent to terminate the Operation Agreement effective January 1, 2021.

WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

As of December 31, 2020, the Funding and Reimbursement Agreement and Operation Agreement had a total outstanding principal balance of \$536,029 and unpaid interest of \$109,534.

Unreceived advances are reflected as an accounts receivable on the Statement of Net Position.

Inclusion Agreement

On September 14, 2020, the District, Urban CoCal, LLC (the “Applicant”) and Lennar Colorado, LLC (“Lennar”) entered into an Inclusion Agreement. The Applicant has petitioned the District for inclusion of certain Property, as defined in the Inclusion Agreement, within the District. As a condition to the District’s inclusion of the Property into the boundaries of the District, Lennar agrees it will consent to the modification of the District’s resolution approving the Series 2014 Bonds and/or any other action necessary to redefine or otherwise modify the Required Subordinate Mill Levy from the current requirement of 50.000 mills to 30.000 mills. Consistent with the provisions of the Indenture of Trusts for the District’s Series 2017A Bonds and Series 2017B Bonds, the District agrees that, following the final inclusion of the property into the District and subject to the requirements of the Series 2017A and Series 2017B Indentures, the District will cause the transfer of the funds held in the Restrict Account of the Senior Project Fund to the Unrestricted Account of the Senior Project Fund, in the amount of \$1,237,152 at the rate of \$44,184 per Residential Lot and in the Restricted Account of the Subordinate Project Fund to the Unrestricted Account of the Subordinate Project Fund, in the amount of \$277,872 at the rate of \$9,924 per Residential Lot, for all Residential Lots located within the potential inclusion parcel.

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

|                                 | Balance<br>1/1/2020 | Additions        | Deletions          | Balance<br>12/31/2020 | Current<br>Portion |
|---------------------------------|---------------------|------------------|--------------------|-----------------------|--------------------|
| <u>General Obligation Bonds</u> |                     |                  |                    |                       |                    |
| Series 2017A Bonds              | \$19,320,000        | \$ -             | \$ 374,000         | \$18,946,000          | \$ -               |
| Series 2017B Bonds              | 3,985,000           | -                | -                  | 3,985,000             | -                  |
| Premium on bonds                | 204,880             | -                | 9,976              | 194,904               | -                  |
| <u>Direct Borrowings</u>        |                     |                  |                    |                       |                    |
| Series 2014 Sub Bonds           | 5,058,606           | 404,688          | -                  | 5,463,294             | -                  |
| <u>Other</u>                    |                     |                  |                    |                       |                    |
| F&R Agreement - Ops / Cap       | 445,446             | 90,583           | -                  | 536,029               | -                  |
| F&R Agreement - Interest        | 73,484              | 36,050           | -                  | 109,534               | -                  |
| Reimbursement for MDIA          | 13,402,735          | 464,789          | 621,044            | 13,246,480            | -                  |
| Total                           | <u>\$42,490,151</u> | <u>\$996,110</u> | <u>\$1,005,020</u> | <u>\$42,481,241</u>   | <u>\$ -</u>        |

WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2017A Bonds. Due to the uncertainty in the timing of payments on the 2014 Sub Bonds and Series 2017B Bonds, no summary is presented.

|           | Principal            | Interest             | Total                |
|-----------|----------------------|----------------------|----------------------|
| 2021      | \$ -                 | \$ 947,300           | \$ 947,300           |
| 2022      | -                    | 947,300              | 947,300              |
| 2023      | -                    | 947,300              | 947,300              |
| 2024      | -                    | 947,300              | 947,300              |
| 2025      | 300,000              | 947,300              | 1,247,300            |
| 2026-2030 | 2,000,000            | 4,477,750            | 6,477,750            |
| 2031-2035 | 2,905,000            | 3,891,750            | 6,796,750            |
| 2036-2040 | 4,110,000            | 3,051,500            | 7,161,500            |
| 2041-2045 | 5,640,000            | 1,878,750            | 7,518,750            |
| 2046-2047 | 3,991,000            | 331,100              | 4,322,100            |
|           | <u>\$ 18,946,000</u> | <u>\$ 18,367,350</u> | <u>\$ 37,313,350</u> |

Debt Authorization

In 2005 a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$684,000,000 for acquisition, construction, installment, and equipping of capital improvements. The District's Service Plan includes a debt authorization limit of \$57,000,000. As of December 31, 2020, the amount of debt authorized by the District's electorate for acquisition, construction, installment, and equipping of capital improvements but unissued was \$657,438,857 and the amount of allowed debt but unissued under the Service Plan was \$30,438,858.

Note 5: Related Party

One member of the Board of Directors is an employee, owner or are otherwise associated with CalAtlantic and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

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

# WHISPERING PINES METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2020

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.

Note 7: Economic Dependency

The District has not yet established a property tax base sufficient to pay the District's operating costs. Until a sufficient property tax base is established, the District will be dependent upon funding by the Developer.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Colorado Special Districts Property and Liability Pool ("the Pool") is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

WHISPERING PINES METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2020

Note 9: Interfund Transfers

The transfer of \$460,559 from the Capital Project Funds Fund to the Debt Service Fund was transferred for the purpose of redeeming a portion of the Series 2017A Bonds and the payment of accrued interest on the Series 2017B Bonds under the extraordinary redemption provisions as described in Note 4.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

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

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

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

SUPPLEMENTAL INFORMATION



## Whispering Pines Metropolitan District No. 1

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

For the Year Ended December 31, 2020

|  | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u>       | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|--|---------------------------|------------------------|---------------------|---|
| <b>REVENUES</b>                                      |                           |                        |                     |   |
| System development fees                              | \$ 500,000                | \$ 300,000             | \$ 315,000          | \$ 15,000                                     |
| Property taxes                                       | 1,202,613                 | 1,202,613              | 1,141,327           | (61,286)                                      |
| Property taxes - ARI                                 | 24,046                    | 24,046                 | 22,475              | (1,571)                                       |
| Specific ownership taxes                             | 96,209                    | 85,000                 | 86,927              | 1,927   |
| Interest income                                      | <u>15,000</u>             | <u>9,000</u>           | <u>9,733</u>        | <u>733</u>                                    |
| Total Revenues                                       | <u>1,837,868</u>          | <u>1,620,659</u>       | <u>1,575,462</u>    | <u>(45,197)</u>                               |
| <b>EXPENDITURES</b>                                  |                           |                        |                     |   |
| Regional mill levy                                   | 24,046                    | 24,046                 | 22,475              | 1,571   |
| Bond Interest - Series 2017A                         | 966,000                   | 966,000                | 966,000             | -   |
| Bond Interest - Series 2017B                         | -                         | 166                    | 86,559              | (86,393)                                      |
| Bond Principal - Series 2017A                        | -                         | 460,000                | 374,000             | 86,000  |
| Trustee Fees   | 6,000                     | 6,000                  | 6,000               | -   |
| Treasurer's fees                                     | <u>18,788</u>             | <u>18,788</u>          | <u>17,277</u>       | <u>1,511</u>                                  |
| Total Expenditures                                   | <u>1,014,834</u>          | <u>1,475,000</u>       | <u>1,472,311</u>    | <u>2,689</u>                                  |
| EXCESS (DEFICIENCY) OF REVENUES OVER<br>EXPENDITURES | 823,034                   | 145,659                | 103,151             | (42,508)                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                           |                        |                     |   |
| Transfers to/from other funds                        | <u>-</u>                  | <u>490,000</u>         | <u>460,559</u>      | <u>(29,441)</u>                               |
| Total Other Financing Sources (Uses)                 | <u>-</u>                  | <u>490,000</u>         | <u>460,559</u>      | <u>(29,441)</u>                               |
| NET CHANGE IN FUND BALANCE                           | 823,034                   | 635,659                | 563,710             | (71,949)                                      |
| <b>FUND BALANCE:</b>                                 |                           |                        |                     |   |
| BEGINNING OF YEAR                                    | <u>2,524,108</u>          | <u>2,540,990</u>       | <u>2,540,990</u>    | <u>-</u>                                      |
| END OF YEAR  | <u>\$ 3,347,142</u>       | <u>\$ 3,176,649</u>    | <u>\$ 3,104,700</u> | <u>\$ (71,949)</u>                            |

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

## Whispering Pines Metropolitan District No. 1

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND For the Year Ended December 31, 2020

|  | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u> | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------------------|------------------------|---------------|--|
| <b>REVENUES</b>                                      |                           |                        |               |  |
| Interest income                                      | \$ -                      | \$ 22,557              | \$ 21,589     | \$ (968)                               |
| Miscellaneous income                                 | -                         | -                      | 968           | 968                                    |
| Total Revenues                                       | -                         | 22,557                 | 22,557        | -                                      |
| <b>EXPENDITURES</b>                                  |                           |                        |               |  |
| Accounting and audit                                 | -                         | 3,000                  | 2,879         | 121                                    |
| Legal  | -                         | 10,000                 | 9,622         | 378                                    |
| Planning & engineering                               | 50,000                    | 30,000                 | 29,538        | 462                                    |
| Construction Mgmt/Reg Impr.                          | -                         | 145,000                | 143,580       | 1,420                                  |
| Erosion control                                      | 50,000                    | 1,010,000              | 1,003,169     | 6,831                                  |
| Park and recreation                                  | 1,845,654                 | 275,000                | 268,309       | 6,691                                  |
| Developer advances - principal                       | -                         | 633,020                | 621,044       | 11,976                                 |
| Developer advances - interest                        | -                         | 893,980                | 893,980       | -                                      |
| Total Expenditures                                   | 1,945,654                 | 3,000,000              | 2,972,121     | 27,879                                 |
| EXCESS (DEFICIENCY) OF REVENUES OVER<br>EXPENDITURES | (1,945,654)               | (2,977,443)            | (2,949,564)   | 27,879                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                           |                        |               |  |
| Developer advances - regional improvements           | -                         | 1,441,555              | 1,374,234     | (67,321)                               |
| Transfers to/from other funds                        | -                         | (500,000)              | (460,559)     | 39,441                                 |
| Total Other Financing Sources (Uses)                 | -                         | 941,555                | 913,675       | (27,880)                               |
| NET CHANGE IN FUND BALANCE                           | (1,945,654)               | (2,035,888)            | (2,035,889)   | (1)                                    |
| <b>FUND BALANCE:</b>                                 |                           |                        |               |  |
| BEGINNING OF YEAR                                    | 1,945,654                 | 2,035,888              | 2,035,889     | 1                                      |
| END OF YEAR  | \$ -                      | \$ -                   | \$ -          | \$ -                                   |

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

# Whispering Pines Metropolitan District No. 1

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

December 31, 2020

(Unaudited)

| <u>Year Ended<br/>December 31,</u>                   | <b>Prior<br/>Year Assessed<br/>Valuation<br/>for Current<br/>Year Property<br/>Tax Levy</b> | <u>Mills Levied</u> |                     | <u>Total Property Tax</u> |                  | <u>Percent<br/>Collected<br/>to Levied</u> |
|--|---|---------------------|---------------------|---------------------------|------------------|--|
|  |   | <u>General Fund</u> | <u>Debt Service</u> | <u>Levied</u>             | <u>Collected</u> |  |
| 2013   | \$ 1,610  | 0.000               | 0.000               | \$ -                      | \$ -             | 0.00%                                      |
| 2014   | \$ 1,980  | 10.000              | 41.000              | \$ 101                    | \$ -             | 0.00%                                      |
| 2015   | \$ 2,990  | 10.000              | 51.000              | \$ 182                    | \$ 182           | 100.00%                                    |
| 2016   | \$ 794,137  | 15.000              | 51.000              | \$ 52,413                 | \$ 52,414        | 100.00%                                    |
| 2017   | \$ 2,989,267  | 15.000              | 51.000              | \$ 197,292                | \$ 197,293       | 100.00%                                    |
| 2018   | \$ 6,652,894  | 16.583              | 56.382              | \$ 485,428                | \$ 485,428       | 100.00%                                    |
| 2019   | \$ 10,554,263   | 16.583              | 56.382              | \$ 770,092                | \$ 748,166       | 97.15%                                     |
| 2020   | \$ 21,604,860   | 16.699              | 56.777              | \$1,587,439               | \$1,506,094      | 94.88%                                     |
| Estimated for<br>year ending<br>December 31,<br>2020 | \$ 24,116,449   | 21.500              | 56.777              | \$1,887,763               |                  |  |

### NOTE

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