

SOLARIS METROPOLITAN DISTRICT NO. 1
TOWN OF VAIL, COLORADO

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors
Solaris Metropolitan District No. 1
Town of Vail, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Solaris 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 each major fund of Solaris Metropolitan District No. 1, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 are considered material if there is a substantial



Board of Directors
Solaris Metropolitan District No. 1
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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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
September 20, 2022

Solaris Metropolitan District No. 1

Management's Discussion and Analysis December 31, 2021

As management of Solaris Metropolitan District No. 1 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are composed of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with an overview of the District's finances, from both a short-term fund perspective and a long-term economic perspective.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between the amounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is primarily financing construction, operation, and maintenance of the basic public infrastructure that is performed by Solaris Metropolitan District No. 1. There are no business-type activities within the District.

The District's government-wide and fund financial statements can both be found on pages 6 & 7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements. The District currently has one fund, the General Fund, which is a governmental fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of the fund balance as reported in the governmental funds to the net position reported in the government-wide financial statements and a reconciliation of the net change in fund balance to the change in net position has been provided to facilitate the comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 21 of this report.

Government-wide Financial Analysis. A condensed summary of the District's government-wide assets, deferred outflows, liabilities, net position, revenues and expenses follows:

Statement of Net Position

	Governmental Activities	
	2021	2020
Assets:		
Current and other assets	\$ 253,899	\$ 243,918
Capital and long term assets	21,820,768	21,839,857
Total Assets	22,074,667	22,083,775
Liabilities:		
Current liabilities	83,487	90,143
Long-term obligations payable	993,875	1,284,583
Total Liabilities	1,077,362	1,374,726
Net position:		
Net investment in capital assets, net of debt	19,109,646	19,901,991
Restricted for TABOR	43,342	23,039
Unrestricted	1,844,317	784,019
Total Net position	\$ 20,997,305	\$ 20,709,049

Statement of Activities

Revenues:		
Program Revenues		
Operating grants and contributions	\$ 1,879,525	\$ 524,549
Charges for Services	249,963	223,642
Capital Grants and contributions	-	-
General revenue:		
Interest and other revenue	73	1,488
Total Revenue	2,129,561	749,679
Expenses:		
General government	1,901,482	1,383,719
Interest on long-term debt	(60,177)	101,978
Total Expenses	1,841,305	1,485,697
Change in Net position	288,256	(736,018)
Net position - Beginning	20,709,049	21,445,067
Net position - Ending	\$ 20,997,305	\$ 20,709,049

The District is the "service district" in a triple district structure whereby the District constructed the public infrastructure and provides certain services for Solaris Metropolitan District Nos. 2 and 3. Pursuant to the consolidated service plan for the Districts, the District is obligated to provide certain capital facilities and operational services and obligates Solaris Metropolitan District Nos. 2 & 3 (the "taxing districts") to fully fund the District's cost of constructing the facilities and operations.

Government-wide Financial Analysis. The District's primary activity in 2021 has been the operation of the public improvements owned by the District. The District's primary revenue source is intergovernmental revenues from Solaris Metropolitan Districts No. 2 & 3 reflecting their obligation to ultimately reimburse the District for the cost of constructing and operating the infrastructure. The increase in net position is primarily the result of repayment of the outstanding Developer Advance Note.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$170,412, which is the result of a cumulative surplus of revenues in excess of expenditures.

The District adopts budgets for each fund on an annual basis. Budgetary comparisons have been provided on page 22 for the General Fund.

Capital assets. The District's capital assets consist primarily of infrastructure in the District. The capital assets were completed at December 31, 2011 and \$703,919 depreciation expense was recorded in 2021. Details can be seen in Note D on page 17 of this report.

Economic Factors and Next Year's Budget. It is anticipated COVID-19 will have impacts on the economy as a whole which will include financial impacts to the District, however the extent of such impacts continues to be unknown at this time.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

STATEMENT OF NET POSITION

December 31, 2021

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 161,445
Accounts receivable - other governments	9,174
Accounts receivable	59,584
Prepaid Insurance	17,385
Security deposits	6,311
Capital and service obligation receivable	1,751,591
Capital assets, net of accumulated depreciation	<u>20,069,177</u>
Total assets	<u>22,074,667</u>
Liabilities	
Trade accounts payable	83,487
Developer payable	959,531
Accrued interest payable	<u>34,344</u>
Total liabilities	<u>1,077,362</u>
Net position	
Net investment in Capital Assets	19,109,646
Restricted for TABOR	43,342
Unrestricted	<u>1,844,317</u>
Total net position	<u><u>\$ 20,997,305</u></u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

Function/Programs	Expenses	Program revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,901,482	\$ 249,963	\$ 1,879,525	\$ -	\$ 228,006
Interest on long-term debt	(60,177)	-	-	-	60,177
	<u>\$ 1,841,305</u>	<u>\$ 249,963</u>	<u>\$ 1,879,525</u>	<u>\$ -</u>	<u>288,183</u>
				Interest income	73
				Total general revenues	<u>73</u>
				Change in net position	288,256
				Net position, beginning	<u>20,709,049</u>
				Net position, ending	<u>\$ 20,997,305</u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

		General Fund
Assets		
Cash and investments	\$	161,445
Accounts receivable - other governments		9,174
Accounts receivable		59,584
Prepaid expenses		17,385
Security deposits		6,311
Total assets		253,899
Liabilities		
Trade accounts payable		83,487
Total liabilities		83,487
Fund balance		
Nonspendable		
Deposits		6,311
Prepaid expense		17,385
Restricted for		
TABOR		43,342
Unassigned		103,374
Total fund balance	\$	170,412

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

For the year ended December 31, 2021

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

Total fund balance - governmental funds	\$	170,412
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized as depreciation expense over their expected useful lives.		20,069,177
Long term receivables are not recognized in the fund financial statements but are recognized in the statement of net position.		1,751,591
Accrued interest on long-term obligations are not due and payable in the current period and, therefore, are not recognized in the funds.		(34,344)
Long-term liabilities are not due and payable in the current period and therefore are not recognized in the funds.		<u>(959,531)</u>
Net position of governmental activities	\$	<u><u>20,997,305</u></u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended December 31, 2021

	General Fund
Revenues	
Skate shop income	\$ 211,450
Rent income	22,916
Special event fee	15,597
Interest income	73
Intergovernmental revenue	1,194,695
Total revenues	1,444,731
Expenditures	
Accounting	21,263
Audit	9,350
Elections	25
Insurance	13,779
Legal	16,559
Contribution to Solaris Metropolitan District No. 2	9,281
Contribution to Solaris Metropolitan District No. 3	8,094
Miscellaneous	1,925
Operations	
Utilities	117,472
Janitorial	20,130
Insurance	16,132
Repairs and maintenance	387,466
Supplies	1,297
Rent	115,785
Payroll	257,176
Fees	28,343
Payment to Solaris	223,486
Repayment to Developer	871,106
Interest expense	175,844
Total expenditures	2,294,513
Excess of revenues over expenditures before other financing sources (uses)	(849,782)
Other financing sources (uses)	
Developer advances	866,419
Total other financing sources (uses)	866,419
Excess of revenues and other financing sources and (uses) over expenditures	16,637
Fund balance - beginning of year	153,775
Fund balance - end of year	\$ 170,412

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - 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 Balances - Governmental Funds	\$ 16,637
Long term capital assets are expensed as capital outlay in the funds but are capitalized in the government wide statements and amortized over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year:	(703,919)
Accrued interest on long term obligations are not due and payable in the current period and, therefore, are not recognized in the funds. This is the amount by which the liability changed between the current and prior year.	74,866
Long-term receivables are not recorded in the funds but are recorded in the government wide financial statements. This is the amount by which the receivables changed between current year and prior year.	684,830
Changes in long term obligations are recognized as other financing sources and payments of principal in the funds but as additions and reductions of long term liabilities in the government wide statements.	
Changes in developer advance	<u>215,842</u>
Change in net position of governmental activities	<u><u>\$ 288,256</u></u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Solaris Metropolitan District No. 1, (the District), located in the Town of Vail, Colorado (the Town), conform to 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 the financial statements.

Reporting entity

The District was organized in 2006 concurrently with Solaris Metropolitan District No. 2 (District 2) and Solaris Metropolitan District No. 3 (District 3) and is governed by a five-member elected Board of Directors. On September 19, 2006, a Consolidated Service Plan ("Service Plan") for the Districts was approved. On April 3, 2007, the first amendment to the Service Plan was approved. 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 Districts were organized to provide various public improvements necessary and appropriate for the development of the Solaris Vail project. The public improvements, which include sanitation, water, streets, traffic and safety controls, and parks and recreation, will be constructed for the benefit of the taxpayers and service users within the Districts' boundaries.

The District serves as the "Operating District" while District 2 and District 3 serve as the "Taxing Districts." The Operating District is responsible for providing the day-to-day operations and administrative management for all three Districts.

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 component units as defined by GASB and is not a component unit of any other primary government.

The District has no employees and all services are contracted.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide 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.

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

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

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 sixty days of the end of the current fiscal period.

The District reports the following governmental fund:

The General fund is the general operating fund of the District. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.

The Capital fund accounts for the financial resources and costs associated with acquiring capital assets.

Fair value of financial statements

The District's financial instruments include cash and investments, accounts receivable, accounts payable, and accrued expenses. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make 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 amount of revenues and expenses during the reporting period. 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 will not be recognized as an outflow of resources (expense/expenditure) until then.

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 will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

Capital assets

Capital assets defined by the District as infrastructure assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Infrastructure assets are depreciated using the straight-line method over the estimated useful life of between 5 and 40 years.

As discussed in the Service Plan, the District intends to dedicate a portion of the infrastructure assets to the Town of Vail or other governmental agencies.

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:

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund equity – continued

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 is legally or contractually required to be maintained intact.

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

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

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

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

The District conforms to the following procedures in compliance with Colorado Revised Statutes in establishing the budgetary data reflected in the financial statements:

In the fall of each year, the District’s Board of Directors prepares a proposed operating budget for the fiscal year commencing the following January 1. The operating budget for the funds includes proposed expenses and the means of financing them.

A public hearing is held at a Board of Directors meeting to obtain taxpayer input. Prior to December 15, the budget is legally enacted through passage of a budget resolution. The 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.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CASH AND INVESTMENTS

Cash and investments

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

Statement of net position:

Deposits	\$ (2,528)
CSAFE	<u>163,973</u>
Cash and investments	<u>\$ 161,445</u>

Custodial and concentration of credit risk

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, all of the District deposits were either insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

The District has not adopted a formal investment policy; however, the District follows Colorado Revised Statutes regarding its investments. Colorado Revised 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 U.S. government agency entities, certain money market funds, guaranteed investment contracts and local government investment pools.

During 2021, the District was invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statutes for local government entities to pool surplus funds. CSAFE adheres to the guidelines outlined in GASB 79, *Certain External Investment Pools and Pool Participants*, regarding liquidity, maturity, quality, diversification and shadow NAV pricing. CSAFE measures its investments at amortized cost for financial reporting purposes and has been rated AAAM by Standard & Poor's. The financial statements of CSAFE are available for public view at Csafe.org. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00, though this is not guaranteed. Investment objectives focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. CSAFE may invest in U.S. Treasury securities, U.S. governmental agency securities, commercial paper, corporate fixed notes, and repurchase agreement collateralized with securities valued in excess of the repurchase agreement amount.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE C – CASH AND INVESTMENTS – CONTINUED

All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodian. There are no limits or restrictions on participant withdrawals.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Governmental Activities:				
Capital assets, depreciable:				
Parks and recreation	\$ 15,870,171	\$ –	\$ –	\$ 15,870,171
Street facilities	10,462,576	–	–	10,462,576
Water facilities	433,263	–	–	433,263
Sanitation facilities	<u>559,210</u>	<u>–</u>	<u>–</u>	<u>559,210</u>
Total capital assets being depreciated	27,325,220	–	–	27,325,220
Less accumulated depreciation	<u>(6,552,124)</u>	<u>(703,919)</u>	<u>–</u>	<u>(7,256,043)</u>
Depreciable capital assets, net	<u>\$ 20,773,096</u>	<u>\$ (703,919)</u>	<u>\$ –</u>	<u>\$ 20,069,177</u>

NOTE E – 2010 OPERATIONS/DEBT SERVICE AGREEMENT

The District entered into a 2010 Operations/Debt Service Funding Agreement on December 17, 2009, with Solaris Property Owner, LLC, the Developer, whereby the Developer agreed to loan the District one or more sums of money not to exceed the aggregate of \$500,000. The maximum loan amounts for O&M Costs and Debt Service Costs were to be set at \$350,000 and \$150,000, respectively. The funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2010, and the Developer's obligation to fund these amounts may be renewed on an annual basis thereafter.

The loan advances, pursuant to both agreements stated above, bear simple interest at a rate of 8% per annum from the date advances were made to the date of repayment of such amount. The District will repay the developer advances with any revenues made available to the District by Districts 2 and 3. The District's obligation to the Developer shall terminate at the earlier of full repayment or December 15, 2049. This agreement was terminated via the Omnibus Funding and Reimbursement Agreement.

On October 13, 2016, Solaris Metropolitan District No. 1 entered into a Limited Tax Revenue Note with Solaris Property Owner, LLC in the amount of \$1,262,427 for capital, debt service, and operating advances. The Note bears an interest rate of 8%.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE E – 2010 OPERATIONS/DEBT SERVICE AGREEMENT - CONTINUED

The following is an analysis of the change in developer obligations for the year ended December 31, 2021:

	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2021</u>
Due to developer:				
Developer advances	\$ 304,267	\$ 692,663	\$ (37,399)	\$ 959,531
Limited tax revenue note	871,106	-	(871,106)	-
Accrued interest	<u>109,210</u>	<u>113,578</u>	<u>(188,444)</u>	<u>34,344</u>
Total	<u>\$ 1,284,583</u>	<u>\$ 806,241</u>	<u>\$ (1,096,949)</u>	<u>\$ 993,875</u>

NOTE F – SIGNIFICANT AGREEMENTS

District Operating Agreement

The Districts entered into an Amended and Restated District Operating (the "Agreement") dated March 19, 2013, amending and restating the District Operating Agreement dated April 26, 2007. The Agreement generally provides that the District will perform operations services including administration, financial management, election management, budget preparation, and insurance administration for the Taxing Districts and the Taxing Districts have pledged to levy taxes to provide for payment of the operations costs. The District has incurred operations costs in the amount of \$7,048,083 since inception of the Agreement in 2007 through December 31, 2021, providing services to the Taxing Districts and the Taxing Districts have paid \$6,269,940 toward these costs leaving a balance of \$778,144 at December 31, 2021.

As defined in the agreement described above, the District has an obligation to provide certain public facilities for the benefit of the Taxing Districts and the Taxing Districts have an obligation to reimburse the District for the cost of providing these capital facilities. Pursuant to this obligation, the District has incurred capital costs in the amount of \$27,275,488 through December 31, 2021, and the Taxing Districts have paid \$26,302,041 toward these costs leaving a balance of \$973,447 at December 31, 2021. This balance has been combined with the obligation for operating costs and is shown as a capital and service obligation receivable on the statement of net position.

Capital Pledge Agreement

The District entered into a Capital Pledge Agreement (the "Pledge Agreement") between the Taxing Districts and the Operating District dated March 1, 2008 in conjunction with the Operating District's bond issuance. In March 2013, Solaris Metropolitan District No. 2 issued \$29,550,000 Property Tax Revenue Multi-Modal Bonds Series 2013. The proceeds from this bond issuance were transferred to the Operating District and used by the Operating District to fully repay the Operating District's Series 2008 bonds and the 2008 Capital Pledge Agreement was terminated.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE F – SIGNIFICANT AGREEMENTS – CONTINUED

Capital Pledge Agreement - continued

The Districts then entered into a Capital Pledge and Mill Levy Policy Agreement dated March 19, 2013 whereby District No. 2 and District No. 3 pledged to levy taxes to provide for payment of the annual debt requirements for the Series 2013 bonds. In October 2016, District No. 3 issued \$29,330,000 General Obligation Refunding Bonds Series 2016A and Subordinate Limited Tax General Obligation Refunding Bonds Series 2016B. A portion of the proceeds from this bond issuance were transferred to District No. 2 to fully repay the Series 2013 bonds and the 2013 Capital Pledge and Mill Levy Policy Agreement was terminated.

The Districts then entered into a Capital Pledge and Mill Levy Policy Agreement dated October 13, 2016, whereby District No. 2 and District No. 3 pledged to levy taxes to provide for payment of the annual debt requirements for the Series 2016 bonds. The Capital Pledge Agreement provides that the Taxing Districts will each levy a debt service mill levy not to exceed a maximum of 50 mills in either District (subject to certain adjustments) and which will not be less than a minimum of 41.67 mills in District No. 2 and 25 mills in District No. 3. The portion of the annual bond costs to be paid by each Taxing District has been allocated proportionately based on the Districts' current assessed value which attributes 81% to the District and 19% to District No.3. District No. 3 fully refunded the Series 2016 bonds via the 2021 Loan and the pledge agreement was terminated.

The Districts then entered into a Capital Pledge and Mill Levy Policy Agreement dated December 15, 2021, whereby District No. 2 and District No. 3 pledged to levy taxes to provide for payment of the annual debt requirements for the Series 2021 loan. The Capital Pledge Agreement provides that the Taxing Districts will each levy a debt service mill levy not to exceed a maximum of 50 mills in either District (subject to certain adjustments) and which will be in a corresponding proportion of 46.391 mills in District No. 2 and 25 mills in District No. 3. The District has recorded an amount payable to Solaris Metropolitan District No. 3 as of December 31, 2021, in the amount of \$30,632,366 which represents the District's capital pledge toward repayment of the Series 2021 loan.

Intergovernmental Agreement with Town of Vail General Improvement District No. 1, Town of Vail, Colorado

The District and the Town of Vail General Improvement District No. 1 (GID) entered into an Intergovernmental Agreement, dated March 22, 2007, that gives the GID the authority to control the use of the public plaza area (the "Plaza") constructed within the District. Any party holding a public event in the Plaza will be required to obtain a license agreement from the GID and the District. The District is responsible for the cost of ordinary maintenance of the Plaza. The GID is responsible for repairing any damage from Plaza events in excess of normal wear and tear.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE F – SIGNIFICANT AGREEMENTS – CONTINUED

Intergovernmental Agreement with Town of Vail, Colorado

On March 22, 2007 the District, along with District 2 and District 3 entered into an Intergovernmental Agreement (IGA) with the Town of Vail, Colorado, as required by the Consolidated Service Plan. Under this Agreement, the Districts must obtain the approval of the Vail Town Council prior to any inclusion of property located outside of the service area as defined in the Service Plan. Prior to the issuance of any privately placed debt, the Districts shall obtain a certificate from an External Financial Advisor certifying to the reasonableness of the interest rate and the structure. The IGA was amended on March 4, 2008, increasing the debt authorization limit from \$20,000,000 to \$40,000,000.

The Consolidated Service Plan of the Districts anticipates the dedication of the public improvements to the Town of Vail or other appropriate jurisdiction for ownership and maintenance. The Districts are authorized to operate or maintain any improvements not dedicated to other jurisdictions, including those improvements known as the "Plaza".

Lease Agreement

During 2010 the District entered into a lease agreement with Solaris Property Owner, LLC (Landlord) whereby the District agreed to lease 891 square feet of space from Landlord to be used for the rental of ice skates and other uses approved by Landlord. The lease provides for payment of \$75,735 in rent per annum in the initial year, escalating 3% per year thereafter, plus real estate taxes and all costs payable by Landlord attributable to the ownership, operation, management, maintenance and repair of the leased premises. The lease expires the earlier of November 30, 2040, or cessation of Special Development District No. 39.

Omnibus Funding and Reimbursement Agreement

On October 13, 2016, the District, along with District 2 and District 3, entered into an agreement with Solaris Property Owner, LLC. This agreement consolidated several prior agreements and commitments between the parties. The following agreements were terminated: The Integrated Project Delivery Agreement, The Original Funding and Reimbursement Agreement, The Joint Resolution Agreement, and the 2010 Costs Agreement. Furthermore, this agreement included an amendment to the Capital Pledge and Mill Levy Policy Agreement, whereby the Taxing Districts will impose the Capital levies and pledge the levies to the issuer of the 2016 series bonds (District 3).

The General Obligation Refunding Bonds, Series 2016A and the Subordinate Limited Tax General Obligation Refunding Bonds, Series 2016B, in the amounts of \$29,330,000 and \$4,000,000 respectively, were issued for the purpose of: (i) repaying the Solaris Property Owner, LLC debt; (ii) refunding the Series 2013 bonds; (iii) funding the reserve funds; (iv) paying the bond issue costs.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE F – SIGNIFICANT AGREEMENTS – CONTINUED

Omnibus Funding and Reimbursement Agreement - continued

The General Obligation Loan, Series 2021 in the amounts of \$34,375,000 were issued for the purpose of: (i) repaying the Solaris Property Owner, LLC debt; (ii) refunding the Series 2016A and Series 2016B bonds; (iii) funding the reserve funds; (iv) paying the bond issue costs..

NOTE G – RELATED PARTIES

The District's Board of Directors are either officers or employees of or have business or professional relationships with the Developer. The District and the Taxing Districts share the same Board of Directors for the year ended December 31, 2021.

NOTE H – RISK MANAGEMENT

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 nature.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and 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 property, general liability and public official's liability, coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. 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. No distributions were made during the year ended December 31, 2021.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains, tax, spending, and 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 increase with certain exceptions. Revenue in excess of the "fiscal year spending" limit must be refunded unless the voters approve retention of such revenue.

Solaris Metropolitan District No. 1
Town of Vail, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS – CONTINUED

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 emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

Solaris Metropolitan District No. 1
Town of Vail, Colorado

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues				
Skate shop income	\$ 150,000	\$ 150,000	\$ 211,450	\$ 61,450
Rent income	22,916	22,916	22,916	-
Special event fee	25,000	25,000	15,597	(9,403)
Interest income	2,500	250	73	(177)
Intergovernmental revenue	150,011	1,199,365	1,194,695	(4,670)
Total revenues	<u>350,427</u>	<u>1,397,531</u>	<u>1,444,731</u>	<u>47,200</u>
Expenditures				
Accounting	29,098	29,098	21,263	7,835
Audit	9,350	9,350	9,350	-
Elections	-	-	25	(25)
Insurance	13,237	13,779	13,779	-
Legal	15,000	15,000	16,559	(1,559)
Contribution to Solaris Metropolitan District No. 2	8,620	9,281	9,281	-
Contribution to Solaris Metropolitan District No. 3	7,590	8,094	8,094	-
Operations	636,632	908,656	943,801	(35,145)
Miscellaneous	750	750	1,925	(1,175)
Repayment to Solaris	235,756	254,015	223,486	30,529
Repayments to Developer	-	871,106	871,106	-
Interest expense	-	176,035	175,844	191
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>966,033</u>	<u>2,305,164</u>	<u>2,294,513</u>	<u>10,651</u>
Other financing sources (uses)				
Developer advances	560,000	800,000	866,419	66,419
Total other financing sources (uses)	<u>560,000</u>	<u>800,000</u>	<u>866,419</u>	<u>66,419</u>
Excess of revenues and other financing sources and (uses) over expenditures	(55,606)	(107,633)	16,637	124,270
Fund balance - beginning of year	<u>103,804</u>	<u>153,775</u>	<u>153,775</u>	<u>-</u>
Fund balance - end of year	<u>\$ 48,198</u>	<u>\$ 46,142</u>	<u>\$ 170,412</u>	<u>\$ 124,270</u>