

SOLARIS METROPOLITAN DISTRICT NO. 3
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. 3
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. 3 (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. 3, 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



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error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 the general fund 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.



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Solaris Metropolitan District No. 3
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Supplementary Information

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

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

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

Solaris Metropolitan District No. 3

Management's Discussion and Analysis December 31, 2021

As management of Solaris Metropolitan District No. 3 (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. This report also contains additional supplementary information after the 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 7 & 8 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 finance-related legal requirements. The District currently has two funds, the General Fund and the Debt Service Fund, both of which are governmental funds.

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 13-23 of this report.

Condensed Financial Information

A condensed comparative summary of the District's government-wide assets, liabilities, deferred inflows, net position, revenues and expenses follows:

Statement of Net Position

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 1,149,381	\$ 2,922,860
Current and other assets	30,892,102	28,732,894
Total Assets	<u>32,041,483</u>	<u>31,655,754</u>
Deferred Outflows		
Deferred Loss on Refunding	1,320,242	510,997
Total Deferred Inflows	<u>1,320,242</u>	<u>510,997</u>
Liabilities:		
Current Liabilities	1,090,732	960,603
Long-term obligations	33,715,000	34,051,909
Total Liabilities	<u>34,805,732</u>	<u>35,012,512</u>
Deferred Inflows		
Property Taxes	244,410	510,997
Total Deferred Inflows	<u>244,410</u>	<u>510,997</u>
Net Position:		
Restricted for Debt Service	1,129,527	2,923,342
Restricted for TABOR	3,736	3,733
Unrestricted	(2,821,680)	(6,794,830)
Total Net Position	<u>\$ (1,688,417)</u>	<u>\$ (3,867,755)</u>

Statement of Activities

Revenue:		
Operating Grants and Contributions	\$ 2,949,386	\$ 1,481,168
General revenue:		
Property taxes	539,002	536,104
Interest and other revenue	1,830	24,522
Total Revenue	<u>3,490,218</u>	<u>2,041,794</u>
Expenses:		
General government	629,607	144,558
Interest on long-term debt	681,273	1,742,592
Total Expenses	<u>1,310,880</u>	<u>1,887,150</u>
Change in Net Position	<u>2,179,338</u>	<u>154,644</u>
Net Position – Beginning	<u>(3,867,755)</u>	<u>(4,022,399)</u>
Net Position – Ending	<u>\$ (1,688,417)</u>	<u>\$ (3,867,755)</u>

The District is one of the “taxing districts” in a triple district structure whereby the District is supporting the financing of the infrastructure provided by Solaris Metropolitan District No. 1. The District consists of commercial properties. Solaris Metropolitan District No. 1 is the “operating district” and as such, has and will continue to receive capital and service obligation payments from the District and District No. 2 to fund the construction and operation of infrastructure in the Districts. District No. 3 funds such costs with property taxes.

Government-wide Financial Analysis. During 2021 the District’s primary activity was to collect property taxes to pay capital and service costs to District No. 1 for the infrastructure in the Districts and to pay outstanding debt service. The increase in the District’s net position was due to the refunding of the 2016A and 2016B bonds in 2021.

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 \$1,143,948. The \$1,143,948 ending fund balance is the result of a cumulative surplus of revenues in excess of expenditures.

The District adopts budgets for each fund on an annual basis. A budgetary comparison has been provided on page 24 for the General Fund and on page 25 for the debt service fund.

Capital assets. All public infrastructure capital assets utilized by the Solaris districts are constructed and operated by District No.1. Therefore, no capital assets are reported by the District.

Long-term debts. In October 2016, the District issued \$29,330,000 General Obligation Refunding Bonds Series 2016A and \$4,000,000 Subordinate Limited Tax General Obligation Bond Series 2016B. A portion of the proceeds from this bond issuance was transferred to District No. 2 to fully repay the Series 2013 bonds. In 2021, the District entered into the 2021 Refunding Note in the amount of \$32,995,000. These District paid \$34,931,566 to an escrow fund to fully refund the General Obligation Refunding Bonds Series 2016A and Subordinate Limited Tax General Obligation Bond Series 2016B. This transaction is more fully described in the Notes to the Financial Statement on pages 19 and 20 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. 3
Town of Vail, Colorado

STATEMENT OF NET POSITION

December 31, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 1,149,381
Due from Treasurer	1,834
Property taxes receivable	244,411
Due from Solaris Metropolitan District No. 2	13,491
Capital obligation receivable from Solaris Metropolitan District No. 2	30,632,366
Total assets	32,041,483
Deferred outflows of resources	
Deferred loss on debt refunding	1,320,242
Total deferred outflows of resources	1,320,242
Liabilities	
Accounts Payable	13,000
Accrued interest payable	43,389
Due to Solaris Metropolitan District No. 1	7,759
Long-term liabilities:	
Obligation payable to Solaris Metropolitan District No. 1	366,584
Bonds payable, due within one year	660,000
Bonds payable, due after a year	33,715,000
Total liabilities	34,805,732
Deferred inflows of resources	
Deferred property tax	244,410
Total deferred inflows of resources	244,410
Net position	
Restricted for Debt Service	1,129,527
Restricted for TABOR	3,736
Unrestricted	(2,821,680)
Total net position	\$ (1,688,417)

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 3
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	\$ 629,607	\$ -	\$ 2,949,386	\$ -	\$ 2,319,779
Interest on long-term debt	681,273	-	-	-	(681,273)
	<u>\$ 1,310,880</u>	<u>\$ -</u>	<u>\$ 2,949,386</u>	<u>\$ -</u>	<u>1,638,506</u>
			General Revenues:		
			Property and specific ownership tax		539,002
			Interest income		1,830
			Total general revenues		<u>540,832</u>
			Change in net position		2,179,338
			Net position, beginning		<u>(3,867,755)</u>
			Net position, ending		<u>\$ (1,688,417)</u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 3
Town of Vail, Colorado

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Debt Service Fund	Total
Assets			
Cash and investments	\$ 26,781	\$ 1,122,600	\$ 1,149,381
Due from Treasurer	398	1,436	1,834
Due from Solaris Metropolitan District No. 2	-	13,491	13,491
Property tax receivable	71,050	173,361	244,411
Total assets	<u>98,229</u>	<u>1,310,888</u>	<u>1,409,117</u>
Liabilities			
Accounts Payable	13,000	-	13,000
Due to Solaris Metropolitan District No. 1	(241)	8,000	7,759
Total liabilities	<u>12,759</u>	<u>8,000</u>	<u>20,759</u>
Deferred Inflows of Resources			
Deferred property tax	71,049	173,361	244,410
Total deferred inflows of resources	<u>71,049</u>	<u>173,361</u>	<u>244,410</u>
Fund balance			
Restricted for debt service	-	1,129,527	1,129,527
Restricted for TABOR	3,736	-	3,736
Unassigned	10,685	-	10,685
Total fund balances	<u>\$ 14,421</u>	<u>\$ 1,129,527</u>	<u>\$ 1,143,948</u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 3
Town of Vail, Colorado

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

December 31, 2021

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

Total fund balance - governmental funds	\$ 1,143,948
Long-term debt is recognized in the funds as other financing sources and expenditures for principal payments but is recognized as a long term liability in the government wide statements.	(34,375,000)
The difference between the cost to refund debt and the outstanding balance of debt being refunded is recognized as sources and uses of funds in the fund financial statements but is recognized as deferred in the statement of net position and deferred.	1,320,242
Accrued interest and fees are not due and payable in the current period and, therefore, are not reported in the funds.	(43,389)
Capital obligations receivable are not due and receivable in the current period and therefore are not recognized in the funds.	30,632,366
Capital and Service obligations payable are not due and payable in the current period and therefore are not recognized in the funds.	<u>(366,584)</u>
Net Position of Governmental Activities	<u><u>\$ (1,688,417)</u></u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 3
Town of Vail, Colorado

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

For the year ended December 31, 2021

	General Fund	Debt Service Fund	Total
General revenues:			
Property and specific ownership tax	\$ 116,784	\$ 422,218	\$ 539,002
Interest income	58	1,772	1,830
Contribution from Solaris Metropolitan District No. 1	7,690	-	7,690
Contribution from Solaris Metropolitan District No. 2	-	1,726,376	1,726,376
Total revenues	<u>124,532</u>	<u>2,150,366</u>	<u>2,274,898</u>
Expenditures			
Audit	4,625	-	4,625
Insurance	3,065	-	3,065
Treasurer's fee	3,323	12,013	15,336
Bank fees	-	334	334
Annual surveillance fee	-	6,000	6,000
Debt issuance costs	-	486,250	486,250
Transfer to Solaris Metropolitan District No. 1	-	1,046,950	1,046,950
Capital and service costs	113,997	-	113,997
Debt Service:			
Principle	-	240,000	240,000
Interest	-	1,596,068	1,596,068
Total expenditures	<u>125,010</u>	<u>3,387,615</u>	<u>3,512,625</u>
Excess of revenues over (under) expenditures	(478)	(1,237,249)	(1,237,727)
Other financing sources (uses)			
Proceeds from debt issuance	-	34,375,000	34,375,000
Refunding payments to escrow	-	(34,931,566)	(34,931,566)
Total other financing sources (uses)	<u>-</u>	<u>(556,566)</u>	<u>(556,566)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>(478)</u>	<u>(1,793,815)</u>	<u>(1,794,293)</u>
Fund balance - beginning of year	<u>14,899</u>	<u>2,923,342</u>	<u>2,938,241</u>
Fund balance - end of year	<u>\$ 14,421</u>	<u>\$ 1,129,527</u>	<u>\$ 1,143,948</u>

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 3
Town of Vail, Colorado

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - 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		\$ (1,794,293)
Governmental funds do not record the amount of interest on long-term debt that has accrued since the end of the year. However, these liabilities are reported in the Statement of Net Position and the related expense is reported in the Statement of Activities. This is the amount by which accrued interest decreased over the prior year.		916,895
Principal payments on long-term debt are recognized as expenditures in the funds but as reduction of long-term liabilities in the government-wide statements.		240,000
Payments to escrow are recognized as other financing uses in the fund financial statements but are included in the calculation of deferred gains or losses on refunding in the government wide statements.		34,929,466
Debt Proceeds are recognized as revenues in the funds but as increases in long-term liabilities in the government-wide statements.		(34,375,000)
Changes in capital and service obligations payable to Solaris District No. 1 and and Solaris District No. 2 are recognized as expenses in the funds but as additions and reductions of long term liabilities in the government-wide statements		
	Change in Capital Obligation	2,394,735
	Change in Service Obligation	(132,465)
		2,262,270
Change in net position of governmental activities		\$ 2,179,338

The accompanying notes are an integral part of these statements.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Solaris Metropolitan District No. 3, (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. 1 (District 1) and Solaris Metropolitan District No. 2 (District 2) 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, are constructed for the benefit of the taxpayers and service users within the Districts' boundaries.

The District serves as one of the "Taxing Districts," along with District 2, whereas the District levies tax on commercial property and District 2 levies tax on residential property. District 1 serves as the "Operating District". The Operating District is responsible for providing the day-to-day operations and administrative management for all three Districts.

The District has no component units as defined by GASB and is not financially accountable for any other organization. The District is not a component unit of any other primary governmental entity.

The District has no employees and all services are contracted.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-wide and Fund Financial Statements - continued

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.

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 funds:

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

The debt service fund accounts for the accumulation of resources for general long-term debt repayment.

Property taxes

Property taxes are levied on December 15, of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15, if paid in installments, or April 30, with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the tax lien will be sold at public auction.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes - continued

Eagle County bills and collects the property taxes and remits collections, on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Fair value of financial instruments

The District's financial instruments include property taxes receivable. 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 the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates

The preparation of financial statements in accordance with GAAP requires 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in 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 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.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgets

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 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.

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: non-spendable, 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:

Non-spendable 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.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund equity - continued

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 – CASH AND INVESTMENTS

As of December 31, 2021 all cash and investments of the District are invested as follows:

Certificate of Deposit	\$ 1,122,788
CSAFE	26,564
ColoTrust	<u>29</u>
Total	<u>\$ 1,149,381</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 (FDIC) or held in eligible public depositories as required by PDPA. At December 31, 2021, \$250,000 was insured by FDIC and \$872,788 was covered by PDPA.

The District has not adopted a formal investment policy, however, the District follows Colorado Revised Statutes regarding its investment. 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.

Colorado Surplus Asset Fund Trust (CSAFE) has been rated AAAM by Standard & Poor’s at December 31, 2021. CSAFE has a weighted average maturity of less than 60 days.

ColoTrust is rated AAAM by Standard & Poor’s.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – CASH AND INVESTMENTS – CONTINUED

Local Government Investment Pools

During 2021, the District was invested in the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Government Liquid Asset Trust Plus (COLOTRUST Plus), which are investment vehicles established for local government entities to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the pools. These pools operate similarly to a money market fund with each share valued at \$1.00. Investments of the pools consist of U.S. Treasury bills, notes and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by U.S. Treasury securities and or U.S. Instrumentalities. A designated custodial bank provides safekeeping and depository services to the pools in connection with the direct investment and withdrawal functions of the pools. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank.

All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the U.S. Bank Trust Department. In accordance with GASB 79, *Certain External Investment Pools and Pool Participants*, CSAFE meets the criteria to be considered a qualifying external investment pool that elects to measure all of their investments at amortized cost and adheres to the guidelines regarding liquidity, maturity, quality, diversification and shadow NAV pricing. There are no limitations on withdrawals from CSAFE at December 31, 2021.

NOTE C – LONG-TERM DEBT

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

	Balance December 31, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2021</u>	Due Within <u>One Year</u>
2016 A Bonds	\$ 28,995,000	\$ –	\$ (28,995,000)	\$ –	\$ –
2016 B Bonds	4,000,000	–	(4,000,000)	–	–
2016 A Premium	854,226	–	(854,226)	–	–
2021 Series Loan	<u>–</u>	<u>34,375,000</u>	<u>–</u>	<u>34,375,000</u>	<u>660,000</u>
Total	<u>\$ 33,849,226</u>	<u>\$ 34,375,000</u>	<u>\$ (33,849,226)</u>	<u>\$ 34,375,000</u>	<u>\$ 660,000</u>

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – LONG-TERM DEBT – CONTINUED

Series 2016A General Obligation Refunding Bonds (Series 2016A)

On October 13, 2016, the District issued \$29,330,000 General Obligation Refunding Bonds Series 2016A. The Series 2016A bonds were issued for the purpose of refunding the 2013 bonds issued by District No. 2, repaying Solaris Property Owner, LLC, funding the reserve fund and paying the costs of issuing the bonds. The bonds have three separate components.

The first component bond was a term bond maturing December 1, 2026 with a principal amount of \$2,590,000. This bond bore annual interest of 3.75% payable semiannually on June 1 and December 1 of each year commencing on December 1, 2016. Principal payments were due December 1 of each year commencing December 1, 2020.

The second component bond was a term bond maturing December 1, 2036 with a principal amount of \$8,185,000. This bond bore annual interest of 5% payable semiannually on June 1 and December 1 of each year commencing on December 1, 2016. Principal payments were due December 1 of each year commencing December 1, 2027.

The third component bond was a term bond maturing December 1, 2046 with a principal amount of \$18,555,000. This bond bore annual interest of 5% payable semiannually on June 1 and December 1 of each year commencing on December 1, 2016. Principal payments were due December 1 of each year commencing December 1, 2037..

Series 2016B Subordinate Limited Tax General Obligation Refunding Bonds (Series 2016B)

On October 13, 2016, the District issued \$4,000,000 Subordinate Limited Tax General Obligation Refunding Bonds Series 2016B. The Series 2016B bonds were issued for the purpose of repaying Solaris Property Owner, LLC, and paying the costs of issuing the bonds. This bond bore annual interest of 7% payable annually on December 15 of each year commencing on December 15, 2016. This bond matured on December 15, 2046, and the full principal amount was due on the maturity date.

Series 2021 Loan

The 2021 Refunding Note was issued for the purpose of refunding the District's outstanding 2016A General Obligation Refunding Bonds (Series 2016A) and the Series 2016B Subordinate Limited Tax General Obligation Refunding Bonds (Series 2016B). The loan bears annual interest of 2.84%. Certain property taxes levied by the District are pledged for the payment of the loan. The total amount of the bonds issued were \$34,375,000 and the total paid to escrow, including contribution from the District, was \$34,931,566. This refunding reduced total debt service payments over the next 24 years by approximately \$17,697,884.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – LONG-TERM DEBT - CONTINUED

This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,322,341.

	2021 Refunding Note		
	Principal	Interest	Total
2022	\$660,000	\$938,285	\$1,598,285
2023	635,000	957,506	1,592,506
2024	690,000	939,472	1,629,472
2025	705,000	919,876	1,624,876
2026	760,000	899,854	1,659,854
2027-2031	4,340,000	4,156,624	8,496,624
2032-2036	26,585,000	3,477,438	30,062,438
	<u>\$34,375,000</u>	<u>\$12,289,055</u>	<u>\$46,664,055</u>

NOTE D – SIGNIFICANT AGREEMENTS

District Operating Agreement

The Districts entered into an Amended and Restated District Operating Agreement (the "Agreement") dated March 19, 2013 amending and restating the District Operating Agreement dated April 26, 2007. The Agreement generally provides that the Operating 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. District No. 1 has incurred operations costs in the amount of \$7,048,083 since inception of the agreement in 2007 through December 31, 2021 providing operating services to the Taxing Districts, and the Taxing Districts have paid \$6,269,940 toward these costs leaving a balance of \$778,144.

Similar to the agreement between District 1 and the Taxing Districts for operations, District 1 has an obligation to provide certain public facilities for the benefit of the Taxing Districts and the Taxing Districts have an obligation to reimburse District 1 for the cost of providing these capital facilities. Pursuant to this obligation, District 1 has incurred capital costs in the amount of \$27,275,488 from inception 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. The balance has been combined with the obligation for operating costs and is shown as a capital and service obligation payable on the statement of net position. The obligation between the Taxing Districts has been allocated proportionately based on the Districts' current assessed value which attributes 79% to District No. 2 and 21% to the District.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – SIGNIFICANT AGREEMENTS – CONTINUED

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.

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 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 25.00 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 79% to the District No. 2 and 21% to the District. The District has recorded an amount receivable from Solaris Metropolitan District No. 2 as of December 31, 2021 in the amount of \$30,632,366 which represents District No. 2's capital pledge toward repayment of the Series 2021 Loan.

Intergovernmental Agreement with Town of Vail, Colorado

On March 22, 2007 the District, along with District No. 1 and District No. 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.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D – SIGNIFICANT AGREEMENTS – CONTINUED

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".

Omnibus Funding and Reimbursement Agreement

On October 13, 2016, the District, along with District 1 and District 2, entered into an agreement with Solaris Property Owner, LCC. 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.

NOTE E – RELATED PARTIES

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

NOTE F – 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.

Solaris Metropolitan District No. 3
Town of Vail Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – RISK MANAGEMENT – CONTINUED

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 G – 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.

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's management believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

Solaris Metropolitan District No. 3
Town of Vail, Colorado

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues				
Property and specific ownership tax	\$ 116,252	\$ 116,252	\$ 116,784	\$ 532
Contribution from Solaris MD No. 1	7,590	8,094	7,690	(404)
Interest income	750	300	58	(242)
Total revenues	<u>124,592</u>	<u>124,646</u>	<u>124,532</u>	<u>(114)</u>
Expenditures				
Audit	4,625	4,625	4,625	-
Insurance	2,965	3,469	3,065	404
Treasurer's fees	3,322	3,322	3,323	(1)
Capital and service costs	110,716	112,929	113,997	(1,068)
Contingency	5,000	5,000	-	5,000
Total expenditures	<u>126,628</u>	<u>129,345</u>	<u>125,010</u>	<u>4,335</u>
Excess of revenues over expenditures	(2,036)	(4,699)	(478)	4,221
Fund balance - beginning of year	<u>12,635</u>	<u>14,899</u>	<u>14,899</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 10,599</u></u>	<u><u>\$ 10,200</u></u>	<u><u>\$ 14,421</u></u>	<u><u>\$ 4,221</u></u>

Solaris Metropolitan District No. 3
Town of Vail, Colorado

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
Revenues				
Property and specific ownership tax	\$ 420,295	\$ 420,295	\$ 422,218	\$ 1,923
Property tax transfer from SMD No.2	1,724,369	1,718,302	1,726,376	8,074
Interest income	56,714	2,000	1,772	(228)
Total revenues	<u>2,201,378</u>	<u>2,140,597</u>	<u>2,150,366</u>	<u>9,769</u>
Expenditures				
Interest	1,596,515	1,596,013	1,596,068	(55)
Principal	240,000	240,000	240,000	-
Payment to Solaris Metropolitan				
District No. 1	-	1,047,141	1,046,950	191
Debt issuance costs	-	504,100	486,250	17,850
Treasurer's fees	12,008	12,013	12,013	-
Annual surveillance fee	6,000	6,000	6,000	-
Bank fees	6,000	1,000	334	666
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>1,870,523</u>	<u>3,416,267</u>	<u>3,387,615</u>	<u>28,652</u>
Excess of revenues over expenditures	330,855	(1,275,670)	(1,237,249)	38,421
Other Sources/(Uses)				
Proceeds from debt issuance	-	34,410,000	34,375,000	(35,000)
Refunding payments to escrow	-	(34,928,349)	(34,931,566)	(3,217)
Total other financing sources/(uses)	<u>-</u>	<u>(518,349)</u>	<u>(556,566)</u>	<u>(38,217)</u>
Fund balance - beginning of year	<u>2,898,153</u>	<u>2,923,342</u>	<u>2,923,342</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,229,008</u>	<u>\$ 1,129,323</u>	<u>\$ 1,129,527</u>	<u>\$ 204</u>