

SUNLIGHT METROPOLITAN DISTRICT  
CITY OF STEAMBOAT SPRINGS, COLORADO

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 1, 2021

The Board of Directors  
Sunlight Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunlight Metropolitan District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

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 Sunlight Metropolitan District, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors  
Sunlight Metropolitan District  
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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and the general fund budgetary schedule on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sunlight Metropolitan District's basic financial statements. The Debt Service Fund budgetary schedule and Capital Projects Fund budgetary schedule are presented for purposes of additional analysis and are not a required part of the financial statements.

The Debt Service Fund and Capital Projects Fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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.

Sunlight Metropolitan District  
Management's Discussion and Analysis  
December 31, 2020

As management of Sunlight Metropolitan District ("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, 2020.

**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 comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. Current year to prior year comparisons will be presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them 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 government-wide financial statements can be found on pages 7 and 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 utilized three governmental funds for 2020; the General Fund, the Debt Service Fund and the Capital 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 spendable resources, as well as on balances of spendable 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. The governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities on pages 10 and 12 of this report.

The District adopts an annual appropriated budget for each of its governmental funds. Budgetary comparisons for all funds have been provided on pages 21-23 to demonstrate compliance with this budget.

**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 starting on page 13 of this report.

**Government-wide Financial Analysis:** The following tables show condensed financial information derived from the government-wide financial statements of the District which compares 2020 to 2019:

	<b>Statement of Net Position</b>	
	<b>2019</b>	
	<b>(Unaudited)</b>	<b>2020</b>
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current and other assets	\$ 206,716	\$ 560,102
Capital assets, net	137,487	1,063,265
<b>Total Assets</b>	<u>344,203</u>	<u>1,623,367</u>
<b>Liabilities:</b>		
Current and other liabilities	9,898	9,804
Long-term liabilities	81,495	4,740,176
<b>Total Liabilities</b>	<u>91,393</u>	<u>4,749,980</u>
<b>Deferred Inflows:</b>		
Property taxes	136,966	144,506
<b>Total Deferred Inflows</b>	<u>136,966</u>	<u>144,506</u>
<b>Net Position:</b>		
Net investment in capital assets	55,992	(3,676,911)
Restricted	1,122	1,880
Unrestricted	58,730	403,912
<b>Total Net Position</b>	<u>\$ 115,844</u>	<u>\$ (3,271,119)</u>

## Statement of Activities

	2019	2020
	(Unaudited)	
<b>General revenues:</b>		
Property taxes	\$ 86,692	\$ 145,792
Interest income	75	484
Donated land & easements	137,487	
<b>Total revenues</b>	<b>\$ 224,254</b>	<b>\$ 146,276</b>
<b>Expenses:</b>		
General government	\$ 37,398	\$ 291,343
Interest on long-term debt	5,680	255,278
Asset conveyed to others	-	2,986,618
<b>Total expenses</b>	<b>\$ 43,078</b>	<b>\$ 3,533,239</b>
<b>Change in net position</b>	<b>\$ 181,176</b>	<b>\$ (3,386,963)</b>
<b>Net position, beginning</b>	<b>(65,332)</b>	<b>115,844</b>
<b>Net position, ending</b>	<b>\$ 115,844</b>	<b>\$ (3,271,119)</b>

**Government-wide Financial Analysis.** The major activity for 2020 related to acceptance of infrastructure assets from the developer, conveyance of a portion of such assets to the City of Steamboat Springs, and the issuance of bonds used to acquire the infrastructure. The District's overall financial position, as measured by net position, decreased by \$3,386,963, due primarily to the conveyance of infrastructure accepted from the developer being conveyed to the Town of Steamboat Springs. The unrestricted net position is being held to be used for future year's operating, debt service, and capital replacement expenditures.

### 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 spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund revenue was \$62,676 in 2020 compared to \$86,768 in 2019. The decrease is due to splitting out the debt service into a separate mill levy in 2020. General Fund expenditures were \$79,981 in 2020 and \$37,399 in 2019. The increase is due to the District paying for all operations costs and not splitting those costs with the developer as it was in prior years.

Debt Service Fund revenue was \$2,258,601 in 2020 and \$0 in 2019, due to the implementation of a separate debt service mill levy beginning in 2020 and bond proceeds from the issuance of the Series 2020 GO Bonds. Debt Service Fund expenditures were \$1,895,355 in 2020 and \$0 in

2019. The primary reason for the increase was the one-time cost of issuance expenditures related to issuance of the Series 2020 Bonds and the developer repayment for infrastructure.

Capital Fund revenues and expenditures in 2020 were both \$3,935,333 and \$0 in 2019. The increase was due to the acceptance of infrastructure funded with advances from the Developer.

As of the end of 2020, the District's governmental funds reported an ending fund balance of \$405,792 an increase of \$345,940 from the prior year. Of the fund balance, \$2,976 nonspendable, \$2,399 is restricted for emergencies, \$363,245 is restricted for debt service, \$10,000 is assigned for future capital, \$7,390 is assigned for the 2021 budget deficit, and the remaining \$19,782 is unassigned.

**Budget variances:** The General Fund ending fund balance finished the year \$26,733 ahead of the amended budget. The General Fund Budget was amended to include a contingency for unexpected landscaping repairs and additional snowplowing. A budget to actual schedule for the General Fund can be found as part of the supplementary information on page 20 of this report.

The Debt Service Fund ending fund balance finished the year \$94,407 positive to the amended budget. The 2020 Budget was amended for a larger than budgeted developer repayment. A budget to actual schedule for the Debt Fund can be found as part of the supplementary information on page 21 of this report.

The Capital Projects Fund ending fund balance finished the year the same as the amended budget at \$0 due to developer advances being equal to capital outlay. A budget to actual schedule for the Capital Projects Fund can be found as part of the supplementary information on page 22 of this report.

**Capital Assets:** During 2020 the District had a net increase in capital assets of \$925,788 due to the purchase of infrastructure. For more detail on capital assets see Note D on page 17 of this report.

**Long-term debt:** The District's overall debt increased by \$4,411,559 in 2020 due to the issuance of the bonds and increases in developer note balances to fund the acceptance of the infrastructure. For more detail on long-term debt see Note E on page 18 of this report.

**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 the Sunlight Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632 (970) 926-6060.

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

STATEMENT OF NET POSITION

December 31, 2020

	Governmental Activities
Assets	
Current assets	
Cash and investments	\$ 411,901
Due from County Treasurer	719
Property taxes receivable	144,506
Prepaid Insurance	2,976
Total current assets	560,102
Noncurrent assets	
Land	137,487
Infrastructure assets	247,913
Parks and recreation capital assets	700,802
Accumulated depreciation	(22,937)
Total noncurrent assets	1,063,265
Total assets	1,623,367
Liabilities	
Current liabilities	
Accounts payable	9,804
Total current liabilities	9,804
Noncurrent liabilities	
Accrued interest payable	257,617
Developer advance	2,307,559
Bonds payable	2,175,000
Total noncurrent liabilities	4,740,176
Total liabilities	4,749,980
Deferred inflows of resources	
Property taxes	144,506
Total deferred inflows of resources	144,506
Total liabilities and deferred inflows of resources	4,894,486
Net position	
Net investment in Capital Assets	(3,676,911)
Restricted for emergencies	1,880
Unrestricted	403,912
Total net position	\$ (3,271,119)

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

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

Function/Programs	Expenses	Program revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 291,343	\$ -	\$ -	\$ -	\$ (291,343)
Interest on long-term debt	255,278	-	-	-	(255,278)
Assets conveyed to other government	2,986,618	-	-	-	(2,986,618)
	<u>\$ 3,533,239</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,533,239)</u>

General revenues:	
Property taxes	145,792
Interest income	484
Assets conveyed from developer	<u>3,935,333</u>
Total general revenues	<u>146,276</u>
Change in net position	(3,386,963)
Net position, beginning	<u>115,844</u>
Net position, ending	<u>\$ (3,271,119)</u>

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

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2020

	General Fund	Debt Service Fund	Total
<b>Assets</b>			
Cash and investments	\$ 49,067	\$ 362,834	\$ 411,901
Receivables			
Due from county treasurer	308	411	719
Property taxes receivable	61,931	82,575	144,506
Prepaid expenses	2,976	-	2,976
Total assets	<u>114,282</u>	<u>445,820</u>	<u>560,102</u>
<b>Liabilities</b>			
Accounts payable	9,804	-	9,804
Total liabilities	<u>9,804</u>	<u>-</u>	<u>9,804</u>
<b>Deferred inflows of resources</b>			
Property taxes	61,931	82,575	144,506
Total deferred inflows of resources	<u>61,931</u>	<u>82,575</u>	<u>144,506</u>
<b>Fund balance</b>			
Nonspendable			
Prepaid expense	2,976	-	2,976
Restricted for emergencies	1,880	-	1,880
Restricted for debt service	-	363,245	363,245
Assigned for future capital	10,000	-	10,000
Assigned for 2021 budget deficit	7,390	-	7,390
Unassigned	20,301	-	20,301
Total fund balance	<u>\$ 42,547</u>	<u>\$ 363,245</u>	<u>\$ 405,792</u>

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

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

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

For the year ended December 31, 2020

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

Total fund balance - governmental funds	\$ 405,792
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.	1,063,265
Accrued interest on long-term obligations are not due and payable in the current period and, therefore, are not recognized in the funds.	(257,617)
Long-term liabilities are not due and payable in the current period and therefore are not recognized in the funds.	<u>(4,482,559)</u>
Net position of governmental activities	<u><u>\$ (3,271,119)</u></u>

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

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

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

For the year ended December 31, 2020

	General Fund	Debt Service Fund	Capital Fund	Total Governmental Funds
<b>Revenues</b>				
Property tax	\$ 58,702	\$ 78,265	\$ -	\$ 136,967
Specific ownership taxes	3,783	5,042	-	8,825
Net investment income	191	293	-	484
Total revenues	<u>62,676</u>	<u>83,600</u>	<u>-</u>	<u>146,276</u>
<b>Expenditures</b>				
<b>Current</b>				
Accounting & administration	17,502	-	-	17,502
Elections	567	-	-	567
Insurance	2,910	-	-	2,910
Legal	7,255	-	-	7,255
Treasurer's fees	1,767	2,355	-	4,122
Landscape maintenance	23,767	-	-	23,767
Manager	2,463	-	-	2,463
Snow removal	10,554	-	-	10,554
Irrigation maintenance	3,570	-	-	3,570
Utilities	7,947	-	-	7,947
Miscellaneous	1,679	-	-	1,679
Capital outlay	-	-	3,935,333	3,935,333
<b>Debt service</b>				
Cost of issuance	-	186,070	-	186,070
Repayments to Developer	-	1,698,774	-	1,698,774
Bond interest	-	8,156	-	8,156
Total expenditures	<u>79,981</u>	<u>1,895,355</u>	<u>3,935,333</u>	<u>5,910,669</u>
Excess of revenues over expenditures before other financing sources (uses)	(17,305)	(1,811,755)	(3,935,333)	(5,764,393)
<b>Other financing sources (uses)</b>				
Developer advance proceeds	-	-	3,935,333	3,935,333
Bond proceeds	-	2,175,000	-	2,175,000
Total other financing sources (uses)	<u>-</u>	<u>2,175,000</u>	<u>3,935,333</u>	<u>6,110,333</u>
Excess of revenues and other financing sources and (uses) over expenditures	(17,305)	363,245	-	345,940
Fund balance - beginning of year	59,852	-	-	59,852
Fund balance - end of year	<u>\$ 42,547</u>	<u>\$ 363,245</u>	<u>\$ -</u>	<u>\$ 405,792</u>

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

Sunlight Metropolitan District  
City of Steamboat Springs, 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, 2020

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

Net Change in Fund Balances - Governmental Funds	\$	345,940
<p>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:</p>		
Capital additions	\$ 3,935,333	
Depreciation expense	<u>(22,937)</u>	3,912,396
<p>Long-term assets that are disposed of are not recognized in fund financial statements except for any proceeds collected in their disposal. In the government-wide statements these are recognized as gains or losses. This is the amount of infrastructure conveyed to the City of Steamboat Springs.</p>		
		(2,986,618)
<p>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.</p>		
		(247,122)
<p>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.</p>		
Bond proceeds	(2,175,000)	
Developer advance proceeds	(3,935,333)	
Payments on developer advance	<u>1,698,774</u>	<u>(4,411,559)</u>
Change in net position of governmental activities	\$	<u><u>(3,386,963)</u></u>

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

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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

The accounting policies of the Sunlight Metropolitan District, (the District), located in the City of Steamboat Springs, Colorado (the City), 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 2016 and is governed by a five-member elected Board of Directors. On November 8, 2016 an Order and Decree Creating the District 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 District was organized to provide various public improvements necessary and appropriate for the development of the Sunlight Steamboat project. The public improvements, which include streets, water, sewer, traffic and safety controls, parks and recreation, and other improvements are being constructed for the benefit of the taxpayers and service users within the Districts' boundaries.

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.

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 financial activities of the District.

The statement of net position presents the financial position of the governmental activities at the end of the year. 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 charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. 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.

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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

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 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 Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

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, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

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.

Property Taxes

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

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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

Property Taxes - continued

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

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 15 and 40 years.

Fund equity

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

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

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City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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

Fund equity – continued

*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.

The District had no supplemental appropriation during the year ended December 31, 2020.

**NOTE C – CASH AND INVESTMENTS**

Cash and investments

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

Statement of net position:

Deposits	\$ 14,787
COLOTRUST	397,114
Cash and investments	<u>\$ 411,901</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

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

**NOTE C – CASH AND INVESTMENTS - CONTINUED**

Custodial and concentration of credit risk - continued

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, 2020, 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 2020, the District was invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST or Trust) Prime Fund. COLOTRUST is a local government investment pool with a stable net asset value measured at fair value per share. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operation similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. The Trust may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities and certain obligations of U.S. government agencies. The Trust does not have any limitations or restrictions on participant withdrawals.

**NOTE D – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
<b>Governmental Activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 137,487	\$ –	\$ –	\$ 137,487
Infrastructure conveyed to other governments	–	2,986,618	2,986,618	–
Capital assets, depreciable:				
Parks and recreation	–	247,913	–	247,913
Street facilities	–	700,802	–	700,802
Total capital assets being depreciated	–	948,715	–	948,715
Less accumulated depreciation	–	(22,937)	–	(22,937)
Depreciable capital assets, net	\$ 137,487	\$ 925,778	\$ –	\$ 1,063,265

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

**NOTE E – LONG-TERM LIABILITIES**

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

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Governmental Activities				
Developer note, operations	\$ 71,000	\$ –	\$ –	\$ 71,000
Developer note, capital	–	3,935,333	1,698,774	2,236,559
General obligation bonds, Series 2020	–	2,175,000	–	2,175,000
Total	\$ 71,000	\$ 6,110,333	\$ 1,698,774	\$ 4,482,559

Developer Notes

The District entered into a Facilities Acquisition Agreement dated May 10, 2017, authorizing the Developer to construct or cause the construction of certain improvements necessary for development of property within the District. As part of this agreement, it was anticipated that the District would issue bonds, the proceeds of which could be used in part to reimburse the Developer for organization expenses, the cost of improvements, and other construction costs. Outstanding balances accrue simple interest until paid, at the rate of 8% per annum.

During 2020, the Developer conveyed \$3,935,333 in capital assets to the District in accordance with this agreement.

Series 2020 Limited Tax General Obligation Bonds

In November 2020, the District issued limited tax general obligation bonds totaling \$2,175,000. The bonds mature at various dates through December 1, 2050 and carry an interest rate of 5%. The bond proceeds were used to pay a portion of the District's obligations to the Developer.

The future debt service requirements of the bonds are set forth below.

Year Ending December 31,	Principal	Interest	Total
2021	\$ –	\$ 108,750	\$ 108,750
2022	–	108,750	108,750
2023	–	108,750	108,750
2024	–	108,750	108,750
2025	15,000	108,750	123,750
2026-2030	165,000	525,250	690,250
2031-2035	250,000	476,250	726,250
2036-2040	365,000	402,250	767,250
2041-2045	510,000	297,250	807,250
2046-2050	870,000	151,750	1,021,750
Total	\$ 2,175,000	\$ 2,396,500	\$ 4,571,500

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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**NOTE G – SIGNIFICANT AGREEMENTS**

District Operation Funding Agreement

The District entered into an Operation Funding Agreement (the "Agreement") dated October 8, 2020, amending the District Operating Agreement dated May 10, 2017. The Agreement generally provides that the District will not have sufficient revenues to provide service, and that the Developer will provide shortfall funding for operations that benefit the District through 2021.

**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 for the year ended December 31, 2020.

**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, 2020.

**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.

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.

Sunlight Metropolitan District  
City of Steamboat Springs, Colorado

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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**NOTE I – TAX, SPENDING AND DEBT LIMITATIONS – CONTINUED**

On November 8, 2016, a majority of the District’s electors authorized the District (1) to increase taxes annually unlimited as to rate or amount by the imposition of an ad valorem property tax levy to be in effect for the life of the debt, and (2) to collect, keep, and expend all District revenue during 2017, and continuing thereafter without regard to limitation under TABOR.

Also, on November 8, 2016, the voters of the District authorized the issuance of \$12,000,000 in debt, \$98,400,000 in contractual obligations, and approved an increase in the property tax revenue to pay such debt and obligations.

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

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

For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
<b>Revenues</b>				
Property tax	\$ 58,701	\$ 58,701	\$ 58,702	\$ 1
Specific ownership taxes	3,522	3,522	3,783	261
Net investment income	-	-	191	191
Total revenues	<u>62,223</u>	<u>62,223</u>	<u>62,676</u>	<u>453</u>
<b>Expenditures</b>				
Accounting & administration	18,000	18,000	17,502	498
Elections	1,500	1,500	567	933
Insurance	5,000	5,000	2,910	2,090
Legal	10,000	10,000	7,255	2,745
Treasurer's fees	1,761	1,761	1,767	(6)
Engineering	7,000	7,000	-	7,000
Landscape maintenance	18,000	18,000	23,767	(5,767)
Manager	12,000	12,000	2,463	9,537
Snow removal	9,000	9,000	10,554	(1,554)
Irrigation maintenance	1,000	1,000	3,570	(2,570)
Utilities	5,000	5,000	7,947	(2,947)
Miscellaneous	3,000	3,000	1,679	1,321
Contingency	-	15,000	-	15,000
Total expenditures	<u>91,261</u>	<u>106,261</u>	<u>79,981</u>	<u>26,280</u>
Excess of revenues over (under) expenditures	(29,038)	(44,038)	(17,305)	26,733
Fund balance - beginning of year	<u>55,914</u>	<u>59,852</u>	<u>59,852</u>	<u>-</u>
Fund balance - end of year	<u>\$ 26,876</u>	<u>\$ 15,814</u>	<u>\$ 42,547</u>	<u>\$ 26,733</u>

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

For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
<b>Revenues</b>				
Property tax	\$ 78,265	\$ 78,265	\$ 78,265	\$ -
Specific ownership taxes	4,696	4,696	5,042	346
Net investment income	3,000	225	293	68
Total revenues	<u>85,961</u>	<u>83,186</u>	<u>83,600</u>	<u>414</u>
<b>Expenditures</b>				
County Treasurer's fees	2,348	2,348	2,355	(7)
Paying agent fees	2,500	-	-	-
Cost of issuance	170,500	175,600	186,070	(10,470)
Bond interest	90,802	9,556	8,156	1,400
Repayments to Developer	1,446,157	1,686,844	1,698,774	(11,930)
Contingency	-	90,000	-	90,000
Total expenditures	<u>1,712,307</u>	<u>1,964,348</u>	<u>1,895,355</u>	<u>68,993</u>
<b>Other financing sources (uses)</b>				
Bond proceeds	1,895,000	2,150,000	2,175,000	25,000
Total other financing sources (uses)	<u>1,895,000</u>	<u>2,150,000</u>	<u>2,175,000</u>	<u>25,000</u>
Excess of revenues and other financing sources and (uses) over expenditures	268,654	268,838	363,245	94,407
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 268,654</u>	<u>\$ 268,838</u>	<u>\$ 363,245</u>	<u>\$ 94,407</u>

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

For the year ended December 31, 2020

	Original and Final Budget	Actual	Positive (Negative) Variance
Expenditures			
Capital Outlay	\$ 3,220,272	\$ 3,935,333	\$ (715,061)
Contingency	1,000,000	-	1,000,000
Total expenditures	<u>4,220,272</u>	<u>3,935,333</u>	<u>284,939</u>
Other financing sources (uses)			
Developer advance	<u>4,220,272</u>	<u>3,935,333</u>	<u>(284,939)</u>
Total other financing sources (uses)	<u>4,220,272</u>	<u>3,935,333</u>	<u>(284,939)</u>
Excess of revenues and other financing sources and (uses) over expenditures	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>