

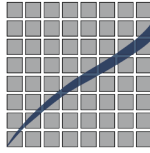
**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

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YEAR ENDED DECEMBER 31, 2021**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Reagan Ranch Metropolitan District No. 1
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Reagan Ranch Metropolitan District No. 1 ("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 the District as of December 31, 2021, the respective changes in financial position, and the budgetary comparison schedule for the general fund, and the budgetary comparison for the general fund for the year then ended in accordance with the 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 the 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.

Responsibility 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 within one year after the date that the financial statements are available to be issued.

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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial 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 auditing standards generally accepted in the United States of America, 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.

Other Matters

Required Supplementary Information

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

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 supplementary information, as identified in the table of contents, 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 information procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 21, 2022

BASIC FINANCIAL STATEMENTS

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 551
Cash and Investments - Restricted	16,312,510
Other Receivable	8,748
Property Taxes Receivable	29
Capital Assets, Not Being Depreciated	<u>918,657</u>
Total Assets	<u>17,240,495</u>
LIABILITIES	
Accounts Payable	27,380
Noncurrent Liabilities	
Due in More Than One Year	<u>18,005,100</u>
Total Liabilities	<u>18,032,480</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>29</u>
Total Deferred Inflows of Resources	<u>29</u>
NET POSITION	
Unrestricted	<u>(792,014)</u>
Total Net Position	<u><u>\$ (792,014)</u></u>

See accompanying Notes to Basic Financial Statements.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 38,718	\$ -	\$ -	\$ -	\$ (38,718)
Interest and Related Costs on Long-Term Debt	753,938	-	-	-	(753,938)
Total Governmental Activities	\$ 792,656	\$ -	\$ -	\$ -	(792,656)
 GENERAL REVENUES:					
Interest Income					642
Total General Revenues					642
 CHANGE IN NET POSITION					
Net Position - Beginning					-
 NET POSITION - ENDING					
					\$ (792,014)

See accompanying Notes to Basic Financial Statements.

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 551	\$ -	\$ -	\$ 551
Cash and Investments - Restricted	-	-	16,312,510	16,312,510
Other Receivable	8,748	-	-	8,748
Property Taxes Receivable	7	22	-	29
	<u>\$ 9,306</u>	<u>\$ 22</u>	<u>\$ 16,312,510</u>	<u>\$ 16,321,838</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 18,380	\$ -	\$ 9,000	\$ 27,380
Total Liabilities	18,380	-	9,000	27,380
 DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	7	22	-	29
Total Deferred Inflows of Resources	7	22	-	29
 FUND BALANCES				
Restricted for:				
Capital Projects	-	-	16,303,510	16,303,510
Unassigned:				
General Government	(9,081)	-	-	(9,081)
Total Fund Balances	(9,081)	-	16,303,510	16,294,429
	<u>\$ 9,306</u>	<u>\$ 22</u>	<u>\$ 16,312,510</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital Outlay, Not Being Depreciated	918,657
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Long-term liabilities are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds Payable	(17,890,000)
Accrued Bond Interest Payable	(80,132)
Developer Advance	(34,000)
Accrued Developer Advance Interest Payable	(968)
	<u>(17,999,100)</u>

Net Position of Governmental Activities	<u>\$ (792,014)</u>
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See accompanying Notes to Basic Financial Statements.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Bond Issuance	\$ -	\$ -	\$ 17,890,000	\$ 17,890,000
Interest Income	-	-	642	642
Total Revenues	<u>-</u>	<u>-</u>	<u>17,890,642</u>	<u>17,890,642</u>
EXPENDITURES				
Accounting	10,872	-	-	10,872
Banking Fees	156	-	-	156
Bond Issue Costs	-	-	615,351	615,351
Insurance and Bonds	2,898	-	-	2,898
Dues and Licenses	596	-	-	596
Legal	24,196	-	-	24,196
Repay Developer Advance	-	-	57,487	57,487
Capital Expenditures:				
Organization Costs	-	-	52,581	52,581
Capital Outlay	-	-	918,657	918,657
Total Expenditures	<u>38,718</u>	<u>-</u>	<u>1,644,076</u>	<u>1,682,794</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,718)	-	16,246,566	16,207,848
OTHER FINANCING SOURCES (USES)				
Developer Advance	29,637	-	56,944	86,581
Total Other Financing Sources (Uses)	<u>29,637</u>	<u>-</u>	<u>56,944</u>	<u>86,581</u>
NET CHANGE IN FUND BALANCES	(9,081)	-	16,303,510	16,294,429
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ (9,081)</u>	<u>\$ -</u>	<u>\$ 16,303,510</u>	<u>\$ 16,294,429</u>

See accompanying Notes to Basic Financial Statements.

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
GENERAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund balances - Governmental Funds \$ 16,294,429

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Capital Outlay 918,657

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Developer Advance	(86,581)
Repayment of Developer Advance	52,581
Bond Issuance	(17,890,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability	(80,132)
Accrued Interest on Developer Advance - Change in Liability	<u>(968)</u>

Change in Net Position of Governmental Activities \$ (792,014)

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Administrative:			
Accounting	2,500	10,872	(8,372)
Banking Fees	-	156	(156)
Contingency	15,000	-	15,000
District Management	1,500	-	1,500
Dues and Licenses	-	596	(596)
Engineering	10,000	-	10,000
Legal	15,000	24,196	(9,196)
Miscellaneous	2,000	-	2,000
Insurance and Bonds	2,500	2,898	(398)
Total Expenditures	48,500	38,718	9,782
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(48,500)	(38,718)	9,782
OTHER FINANCING SOURCES (USES)			
Developer Advance	50,000	29,637	20,363
Total Other Financing Sources (Uses)	50,000	29,637	20,363
NET CHANGE IN FUND BALANCES	1,500	(9,081)	30,145
Fund Balances - Beginning of Year	-	-	-
FUND BALANCES - END OF YEAR	\$ 1,500	\$ (9,081)	\$ 30,145

See accompanying Notes to Basic Financial Statements.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Reagan Ranch Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County on August 25, 2020, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in El Paso County, Colorado, entirely within the city of Colorado Springs (the City). The District operates under a Service Plan approved by the City on August 25, 2020.

The District was established to provide planning, design, acquisition, construction, installation, relocation, and redevelopment of public improvements. Upon completion of construction of these improvements, the District may dedicate them, when appropriate, to the City or to such other entity as appropriate for the use and benefit of the District's taxpayers. The District is the Operating District organized in conjunction with two other related Financing Districts – Reagan Ranch Metropolitan District No. 2 and Reagan Ranch Metropolitan District No. 3. The Operating District will pay all vendors of and receive reimbursement/contributions from the Financing Districts. The Financing Districts will levy ad valorem taxes on taxable properties within each District and assess fees, rates and other charges as authorized by law.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

The Capital Projects Fund was established to account for financial resources to be used for the acquisition and construction of capital facilities.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2021.

Pooled Cash and Investments

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

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows 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.

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

The District does not depreciate its Construction in Progress capital assets.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

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

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (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 practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 551
Cash and Investments – Restricted	16,312,510
Total Cash and Investments	\$ 16,313,061

Cash and investments as of December 31, 2021, consist of the following:

Deposits with Financial Institutions	\$ 551
Investments	16,312,510
Total Cash and Investments	\$ 16,313,061

Deposits with Financial Institutions

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 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.

At December 31, 2021, the District’s cash deposits had a bank balance of \$551.

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado Revised Statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase and reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 16,312,510</u>

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ -	\$ 918,657	\$ -	\$ 918,657
Governmental Activities - Capital Assets, Net	<u>\$ -</u>	<u>\$ 918,657</u>	<u>\$ -</u>	<u>\$ 918,657</u>

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance - December 31, 2020	Additions	Retirements	Balance - December 31, 2021	Due Within One Year
Bonds Payable:					
General Obligation Bonds					
Series 2021	\$ -	\$ 17,890,000	\$ -	\$ 17,890,000	\$ -
Interest - Series 2021	-	80,132	-	80,132	-
Bond Payable	-	-	-	-	-
Subtotal	-	17,970,132	-	17,970,132	-
Loans and Notes from Direct Borrowings and Direct Placements:					
Developer Advance:					
Principal - Operating	-	29,637	-	29,637	-
Principal - Capital	-	56,944	52,581	4,363	-
Interest on Developer Advances:					
Interest - Operating	-	864	-	864	-
Interest - Capital	-	5,010	4,906	104	-
Loans and Notes Payable Subtotal	-	92,455	57,487	34,968	-
Total Long-Term Obligations	<u>\$ -</u>	<u>\$ 18,062,587</u>	<u>\$ 57,487</u>	<u>\$ 18,005,100</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Limited Tax General Obligation Bonds, Series 2021 (the Bonds)

Bond Proceeds

The District issued the Bonds on December 1, 2021, in the par amount of \$17,890,000. Proceeds from the sale of the Bonds were used to (a) finance or reimburse a portion of the costs of planning, designing, acquiring, constructing, installing, relocating, and redeveloping certain public infrastructure improvements related to the Development; and (b) pay the costs of issuing the Bonds.

The Pledge Agreement

Pursuant to a Capital Pledge Agreement (the "Pledge Agreement") between the District, Reagan Ranch Metropolitan District No. 2 ("District No. 2"), and the Trustee, District No. 2 has pledged certain revenues to the District for the payment of the Bonds and Additional Obligations, and covenanted to take certain actions with respect to generating such revenues, for the benefit of the holders of the Bonds and any Additional Obligations.

Details of the Bonds

The Bonds bear interest at the rate of 5.375% per annum and are payable annually on each December 1, beginning on December 1, 2022, but only from and to the extent of available Pledge Revenue. The Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of Pledged Revenue.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Details of the Bonds (Continued)

The Bonds are structured as “cash flow” bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Bonds compounds annually on each December 1. In the event that any amount of principal or interest on the Bonds remains unpaid on December 2, 2061, such amounts will be deemed discharged and no longer due and outstanding.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028, to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

Pledged Revenue

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) the Property Tax Revenues; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; (c) all revenues received pursuant to the Pledge Agreement; (d) System Development Fees; and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Property Tax Revenues means the ad valorem property taxes derived from the District's imposition of the Required Mill Levy, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

Required Mill Levy

The District is required to impose an ad valorem mill levy, the Required Mill Levy, on all taxable property of the District each year in the amount of 30 mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2006) or such lesser mill levy which, when combined with property tax revenues generated by District No. 2 from imposition of the District No. 2 Required Mill Levy under the Pledge Agreement, will be sufficient to pay all of the principal of and interest on the Bonds in full.

Revenues Received Pursuant to the Pledge Agreement

Pursuant to the Pledge Agreement, District No. 2 Pledged Revenue means (a) all District No. 2 Property Tax Revenues; and (b) all District No. 2 Specific Ownership Tax Revenues which are collected as a result of District No. 2's imposition of the District No. 2 Required Mill Levy.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Pledged Revenue (Continued)

Revenues Received Pursuant to the Pledge Agreement (Continued)

District No. 2 Property Tax Revenues means all moneys derived from imposition by District No. 2 of the District No. 2 Required Mill Levy and are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

The District No. 2 Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of District No. 2 each year in the amount of 30 mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2006) or such lesser mill levy which is sufficient to pay all of the principal of and interest on the Bonds in full.

System Development Fees

The District imposes a System Development Fee of \$3,500 for each single-family detached residential unit and \$2,500 for each attached residential unit which is due and payable prior to the issuance of a certificate of occupancy for any applicable unit.

Bonds Debt Service

The annual debt service requirements of the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Event of Default and Remedies on Occurrence of Event of Default for the Revenue Bonds

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- (i) The issuer fails to impose the required mill levy as provided in the indenture.
- (ii) The issuer fails to observe or perform any covenant and agreement on its part under the indenture.
- (iii) The issuer institutes proceedings to be adjudicated as bankrupt or insolvent.

It is acknowledged that due to the limited nature of the revenues, the failure to pay the principal of or interest on the bonds when due shall not, in and of itself, constitute an event of default hereunder, if the issuer is otherwise in compliance with all provisions under the indenture.

Upon the occurrence and continuance of an Event of Default, the trustee shall have the following rights:

- (i) Trustee's Right to Receiver: The trustee shall be entitled as the right to the appointment of a receiver ex parte upon prior written notice to the issuer.
- (ii) Legal Proceedings by Trustee: The trustee in its discretion may, and upon the written request of the majority interest and receipt of indemnity of its satisfaction, shall, in its own name:
 - a. By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Issuer to

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Event of Default and Remedies on Occurrence of Event of Default for the Revenue Bonds (Continued)

- b. enforce any rights under this Indenture, the Cooperation Agreement, and to require the Issuer to carry out any other provisions of this Indenture for the benefit of the Bondholders; and
- c. By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

No Acceleration

Except as may be provided in the supplemental indenture applicable to all series of bonds outstanding hereunder, there shall be no rights of acceleration with respect to the bonds.

As of December 31, 2021, the District was not in default.

Authorized Debt

On November 3, 2020, the District's electors authorized the incurrence of general obligation bonds totaling \$6,000,000 in principal. On November 2, 1998, the District's electors also authorized the incurrence of general obligation bonds totaling \$690,030 in principal at a rate not to exceed 15% (8% for operations and maintenance debt). At December 31, 2021, the District has authorized but unissued indebtedness for the following purposes:

	Authorized November 3, 2020 Election	Authorization Used for Series 2021	Total Authorized But Unissued
Revenue Debt	\$ 65,000,000	\$ -	\$ 65,000,000
Special Assessment	65,000,000	-	65,000,000
Water	65,000,000	-	65,000,000
Sanitation	65,000,000	-	65,000,000
Streets	65,000,000	-	65,000,000
Traffic and Safety	65,000,000	-	65,000,000
Parks and Recreation	65,000,000	-	65,000,000
Transportation	65,000,000	-	65,000,000
Television Relay	65,000,000	-	65,000,000
Mosquito Control	65,000,000	-	65,000,000
Security	65,000,000	-	65,000,000
Business Recruitment	65,000,000	-	65,000,000
Fire Protection	65,000,000	-	65,000,000
Operations and Maintenance	65,000,000	-	65,000,000
Reimbursement Agreements	65,000,000	17,890,000	47,110,000
Debt Refunding	130,000,000	-	130,000,000
Total	<u>\$ 1,105,000,000</u>	<u>\$ 17,890,000</u>	<u>\$ 1,087,110,000</u>

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 NET POSITION

The District has net position consisting of one component - unrestricted.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the financing and repayment of bonds issued for the construction of public improvements, which were dedicated to other entities for ownership and maintenance.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is SNA Development LLC. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability, and workers' compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 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, revenue and debt limitations which apply to the state of Colorado and all local governments.

REAGAN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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

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

SUPPLEMENTARY INFORMATION

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS – GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Bond Issuance	\$ -	\$ 17,890,000	\$ 17,890,000	\$ -
Interest Income	-	642	642	-
Total Revenues	<u>-</u>	<u>17,890,642</u>	<u>17,890,642</u>	<u>-</u>
EXPENDITURES				
Organization Costs	-	52,581	52,581	-
Repay Developer Advance	-	57,487	57,487	-
Bond Issue Costs	-	615,351	615,351	-
Capital Outlay	-	1,004,581	918,657	85,924
Total Expenditures	<u>-</u>	<u>1,730,000</u>	<u>1,644,076</u>	<u>85,924</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	16,160,642	16,246,566	85,924
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	56,944	56,944	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>56,944</u>	<u>56,944</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	16,217,586	16,303,510	85,924
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 16,217,586</u></u>	<u><u>\$ 16,303,510</u></u>	<u><u>\$ 85,924</u></u>

OTHER INFORMATION

**REAGAN RANCH METROPOLITAN DISTRICT NO. 1
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2021**

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2021	\$ -	-	-	\$ -	\$ -	-
Estimated for Year Ending December 31, 2022	\$ 670	11.132	33.398	\$ 29		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years.