

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**

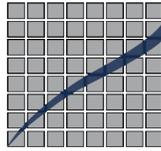
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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## **BiggsKofford**

CERTIFIED PUBLIC ACCOUNTANTS

### **INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
**Elbert and Highway 86 Metropolitan District**  
Elbert County, Colorado

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Elbert and Highway 86 Metropolitan District ("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 for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern 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 a 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. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Denver, Colorado  
September 28, 2022

## **BASIC FINANCIAL STATEMENTS**

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 399,863
Cash and investments - restricted	495,656
Prepaid expenses	3,465
Receivable from County Treasurer	8,043
Property taxes receivable	510,590
Due from E-86 Metropolitan District	2,029
Capital assets:	
Capital assets, not being depreciated	5,247
Capital assets, net	134,880
<b>Total assets</b>	<b>1,559,773</b>
<b><u>LIABILITIES</u></b>	
Accounts payable	12,550
Accrued interest payable	22,672
Noncurrent liabilities:	
General obligation limited tax bonds:	
Due within one year	117,949
Due in more than one year	5,206,949
<b>Total liabilities</b>	<b>5,360,120</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred property tax revenues	510,590
<b>Total deferred inflows of resources</b>	<b>510,590</b>
<b><u>NET POSITION</u></b>	
Net investments in capital assets	(71,762)
Restricted for:	
Debt service	98,284
Emergency reserve	7,800
Unrestricted	(4,345,259)
<b>Total net position</b>	<b>\$ (4,310,937)</b>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>	
<b>FUNCTIONS/PROGRAMS</b>					
<b><u>PRIMARY GOVERNMENT</u></b>					
General government	\$ 276,244	\$ 14,000	\$ -	\$ -	\$ (262,244)
Interest and related costs on long-term debt	261,789	-	-	-	(261,789)
<b>Total governmental activities</b>	<b>\$ 538,033</b>	<b>\$ 14,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(524,033)</b>
<b><u>GENERAL REVENUES</u></b>					
Property taxes					503,718
Specific ownership taxes					81,869
Investment income					1,126
<b>Total general revenues</b>					<b>586,713</b>
<b>Changes in net position</b>					<b>62,680</b>
<b>Net position, beginning of year</b>					<b>(4,373,617)</b>
<b>Net position, end of year</b>					<b>\$ (4,310,937)</b>

The accompanying notes and independent auditor's report should be read with these financial statements.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 399,863	\$ -	\$ 399,863
Cash and investments - restricted	7,800	487,856	495,656
Prepaid expenses	3,465	-	3,465
Receivable from County Treasurer	2,080	5,963	8,043
Property taxes receivable	96,338	414,252	510,590
Due from E-86 Metropolitan District	2,029	-	2,029
<b>Total assets</b>	<b>\$ 511,575</b>	<b>\$ 908,071</b>	<b>1,419,646</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 12,550	\$ -	12,550
<b>Total liabilities</b>	<b>12,550</b>	<b>-</b>	<b>12,550</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred property tax revenues	96,338	414,252	510,590
<b>Total deferred inflows of resources</b>	<b>96,338</b>	<b>414,252</b>	<b>510,590</b>
<b><u>FUND BALANCES</u></b>			
Restricted for:			
Debt service	-	493,819	493,819
Emergency reserve	7,800	-	7,800
Unassigned:			
General government	394,887	-	394,887
<b>Total fund balances</b>	<b>402,687</b>	<b>493,819</b>	<b>896,506</b>
<b>Total liabilities and fund balances</b>	<b>\$ 511,575</b>	<b>\$ 908,071</b>	
Amounts reported in governmental activities in the statement of net position are different because:			
Capital assets are recorded as assets on the statement of net position, but are recorded as expenditures in the funds:			
Capital assets, not being depreciated			5,247
Capital assets, net			134,880
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Bonds payable			(5,020,000)
Bond premium			(304,898)
Accrued interest payable			(22,672)
<b>Net position of governmental activities</b>			<b>\$ (4,310,937)</b>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Development fees	\$ 14,000	\$ -	\$ 14,000
Property taxes	130,278	373,440	503,718
Specific ownership taxes	21,172	60,697	81,869
Investment income	278	848	1,126
<b>Total revenues</b>	<b>165,728</b>	<b>434,985</b>	<b>600,713</b>
<b>EXPENDITURES</b>			
Accounting	22,633	-	22,633
Bank charges	4	19	23
County Treasurer's fees	3,822	10,956	14,778
Dues	325	-	325
Engineering	4,258	-	4,258
Insurance	5,998	-	5,998
Intergovernmental - Commercial District	105,000	-	105,000
Legal	84,192	-	84,192
Management fees	32,355	-	32,355
Utilities	900	-	900
Debt service:			
Bond principal	-	95,000	95,000
Interest expense	-	274,913	274,913
Trustee fees	-	5,250	5,250
<b>Total expenditures</b>	<b>259,487</b>	<b>386,138</b>	<b>645,625</b>
<b>Net change in fund balances</b>	<b>(93,759)</b>	<b>48,847</b>	<b>(44,912)</b>
<b>Fund balances, beginning of year</b>	<b>496,446</b>	<b>444,972</b>	<b>941,418</b>
<b>Fund balances, end of year</b>	<b>\$ 402,687</b>	<b>\$ 493,819</b>	<b>\$ 896,506</b>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

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Net change in fund balances - governmental funds	\$ (44,912)
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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 allocations of the cost of any depreciable assets over the estimated useful lives of the assets. The effect of these differences is as follows:

Depreciation expense	(5,783)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Bond principal payments	95,000
Bond premium	18,138

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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. The effect of these differences is as follows:

Accrued interest payable - change in liability	237
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Change in net position of governmental activities	\$ 62,680
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The accompanying notes and independent auditor's report  
should be read with these financial statements.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance
	Original	Final		
<b>REVENUES</b>				
Development fees	\$ 70,000	\$ 14,000	\$ 14,000	\$ -
Property taxes	128,448	128,076	130,278	2,202
Specific ownership taxes	20,552	23,081	21,172	(1,909)
Investment income	2,000	500	278	(222)
<b>Total revenues</b>	<b>221,000</b>	<b>165,657</b>	<b>165,728</b>	<b>71</b>
<b>EXPENDITURES</b>				
Accounting	26,000	16,300	22,633	(6,333)
Bank charges	-	-	4	(4)
County Treasurer's fees	3,853	3,810	3,822	(12)
Dues	600	325	325	-
Engineering	-	-	4,258	(4,258)
Insurance	6,000	4,673	5,998	(1,325)
Intergovernmental - Commercial District	5,000	110,000	105,000	5,000
Landscaping and snow removal	5,000	-	-	-
Legal	10,000	87,000	84,192	2,808
Management fees	12,000	28,000	32,355	(4,355)
Miscellaneous	7,047	-	-	-
Utilities	1,500	1,200	900	300
<b>Total expenditures</b>	<b>77,000</b>	<b>251,308</b>	<b>259,487</b>	<b>(8,179)</b>
<b>Net change in fund balance</b>	<b>\$ 144,000</b>	<b>\$ (85,651)</b>	<b>(93,759)</b>	<b>\$ (8,108)</b>
Fund balance, beginning of year			496,446	
Fund balance, end of year			<b>\$ 402,687</b>	

The accompanying notes and independent auditor's report  
should be read with these financial statements.

# **ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

### **DECEMBER 31, 2021**

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#### **1. DEFINITION OF REPORTING ENTITY**

Elbert and Highway 86 Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the Elbert County District Court on November 26, 2002, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Elbert County, Colorado ("County"). In accordance with its service plan which was approved in October 2002 by the board of county commissioners of the County, the District was formed to provide financing for the construction of improvements for streets and safety control, landscaping, storm drainage, water, sewer, television relay and park and recreation facilities in its service area within the County. The District's water services are provided by Elbert and Highway 86 Commercial Metropolitan District ("Commercial District").

The District follows 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 and 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 operational and administrative functions are contracted.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### 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. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and b) 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 the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement position

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 when they are both measurable and available. Revenues are considered to be available when they are collectable 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 sources of revenue susceptible to accrual are property 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:

*General fund* - The general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

*Debt service fund* - The debt service fund accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used in payment of debt.

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, and other financing 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.

The District incurred expenditures in excess of appropriations for the year ended December 31, 2021 in the general fund and debt service fund, which may be a violation of state budget law.

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 balance in the total cash and investments.

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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

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

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets

Capital assets, which include parks and recreation improvements, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets of 20 to 50 years.

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss, if any, is reflected in revenues or expenses.

Amortization

*Bond premium*

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in this category. Accordingly, that item, deferred property tax revenues, is deferred and recognized as an inflow of resources in the period that the amounts become available.

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 balances

Fund balances for governmental funds are 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 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.

*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.

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS**

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

Cash and investments	\$ 399,863
Cash and investments - restricted	<u>495,656</u>
	<u><u>\$ 895,519</u></u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2021, are as follows:

Deposits with financial institutions	\$ 758
Investments	<u>894,761</u>
	<u><u>\$ 895,519</u></u>

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. The 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 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2021, the District's cash deposits had a bank balance of \$1,533 and a book balance of \$758.

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**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 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise 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 US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- 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>\$ 415,291</u>
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	<u>\$ 479,470</u>

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments (continued)

*COLOTRUST*

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US 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 investments 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.

*CSAFE*

The District invested in the Colorado Surplus Asset Fund Trust ("CSAFE or "CSAFE Trust"), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the CSAFE Trust. The CSAFE Trust is similar to a money market fund, with each share valued at \$1. CSAFE may invest in US Treasury securities, repurchase agreements collateralized by US Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments; the redemption frequency is daily and there is no redemption notice period.

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. CAPITAL ASSETS**

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

	<u>Balance 1/1/21</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/21</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Landscape improvements	\$ 5,247	\$ -	\$ -	\$ 5,247
Capital assets, being depreciated:				
Fish pond	\$ 16,594	\$ -	\$ -	\$ 16,594
Gazebo	34,791	-	-	34,791
Entry monuments	146,287	-	-	146,287
Water cistern	5,765	-	-	5,765
Less accumulated depreciation	<u>(62,774)</u>	<u>(5,783)</u>	<u>-</u>	<u>(68,557)</u>
Capital assets, net	<u>\$ 145,910</u>	<u>\$ (5,783)</u>	<u>\$ -</u>	<u>\$ 134,880</u>

Depreciation expense for the year ended December 31, 2021, totaled \$5,783.

**5. LONG-TERM OBLIGATIONS**

The following is a summary of long-term debt of the District during the year ended December 31, 2021:

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Repayments/ Accretion</u>	<u>Balance 12/31/21</u>	<u>Due within one year</u>
Series 2016 Bonds	\$ 5,115,000	\$ -	\$ 95,000	\$ 5,020,000	\$ 100,000
Series 2016 premium	<u>323,036</u>	<u>-</u>	<u>18,138</u>	<u>304,898</u>	<u>17,949</u>
	<u>\$ 5,438,036</u>	<u>\$ -</u>	<u>\$ 113,138</u>	<u>\$ 5,324,898</u>	<u>\$ 117,949</u>

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**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2016 General Obligation Bonds

On September 30, 2016, the District issued Series 2016 General Obligation Limited Tax Convertible to Unlimited Tax Refunding Bonds ("Series 2016 Bonds") for the purpose of: (i) refunding the previously issued bonds and other debt obligations; (ii) funding the reserve fund; and (iii) paying other costs incurred in connection with the issuance of the Series 2016 Bonds. The Series 2016 Bonds were issued in the amount of \$5,370,000, plus an original issue premium of \$400,296. The bonds bear interest from 3.00% to 5.75%, payable to the extent of pledged revenues available on each June 1 and December 1, and mature on December 1, 2046.

The District is required to maintain a bond payment, reserve, rebate, and revenue cash account. The purpose of this reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding.

The Series 2016 Bonds are secured by and payable from the pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (a) required mill levy; (b) the portion of the specific ownership taxes which are collected as a result of the imposition of the required mill levy; and (c) any other legally available monies which the District determines to be treated as pledged revenues. The Series 2016 Bonds are also secured by amounts held by the trustee in the reserve fund. Required mill levy means an ad valorem mill levy imposed upon all taxable property within the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due, and payable, and to make up any deficiencies in the reserve fund. The maximum required mill levy is 57.475 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. For the collection year 2021, the District levied 43.000 mills for the debt service fund.

*Optional redemption*

The Series 2016 Bonds maturing on December 1, 2033, and thereafter are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2031, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium.

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**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2016 General Obligation Bonds (continued)

*Events of default*

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture:

- a. Before the first interest payment date occurring after the first mill levy certification by the District occurring after the date on which the ratio derived by dividing the then-outstanding principal amount of all the general obligation debt of the District by the assessed valuation of the taxable property in the District, as such assessed valuation is certified from time to time by the appropriate county assessor, becomes 50% or less ("Unlimited Tax Receipt Date"), the District fails or refuses to impose the required mill levy or to apply the pledged revenue as required by the indenture.
- b. On and after the Unlimited Tax Receipt Date, the District fails to pay the principal or interest on the Series 2016 Bonds when due.
- c. The District defaults in performance or observance of any other covenants, agreements, or conditions in the indenture or bond resolution, and such default continues for 30 days after notice specifying such default provided by the issuer.
- d. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2016 Bonds.

It is acknowledged that, due to the limited nature of the pledged revenue, prior to the Unlimited Tax Receipt Date the failure to pay the principal of or interest on the loans when due does not, in itself, constitute an event of default.

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**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2016 General Obligation Bonds (continued)

*Remedies for events of default*

Upon the occurrence and continuance of an event of default, the trustee will have the following rights and remedies which may be pursued:

- i. Receivership - Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled as a matter of right to the appointment of receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitation inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee will be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
- ii. Suit for judgment - The trustee may proceed to protect and enforce its rights and the rights of the owners by such suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit - The owner may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce its rights.

Notwithstanding the foregoing or anything else herein to the contrary, acceleration will not be an available remedy for an event of default.

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**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Series 2016 General Obligation Bonds (continued)

The District's long-term obligations on the 2016 Series Bonds mature as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 100,000	\$ 272,063	\$ 372,063
2023	100,000	268,062	368,062
2024	105,000	264,063	369,063
2025	110,000	259,862	369,862
2026	115,000	255,462	370,462
2027-2031	660,000	1,191,562	1,851,562
2032-2036	855,000	1,004,413	1,859,413
2037-2041	1,120,000	733,700	1,853,700
2042-2046	1,855,000	372,313	2,227,313
Total	<u>\$ 5,020,000</u>	<u>\$ 4,621,500</u>	<u>\$ 9,641,500</u>

Debt authorization

On November 5, 2002, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$11,108,500 at an interest rate not to exceed 18%. As of December 31, 2021, the District had authorized but unissued indebtedness allocated for the following purposes:

	Amount Authorized on November 5, 2002	Authorization Used Series 2006 Bonds	Authorization Used Series 2016 Refunding Bonds	Authorized But Unissued
Water	\$ 1,655,947	\$ 1,655,947	\$ -	\$ -
Streets	3,390,290	3,390,290	-	-
Storm and Sewer Drainage	227,895	227,895	-	-
Parks and Recreation	225,868	225,868	-	-
Operations and Maintenance	108,500	-	-	108,500
Debt Refunding	5,500,000	-	5,370,000	130,000
	<u>\$ 11,108,500</u>	<u>\$ 5,500,000</u>	<u>\$ 5,370,000</u>	<u>\$ 238,500</u>

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**5. LONG-TERM OBLIGATIONS (CONTINUED)**

Debt authorization (continued)

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$5,500,000, with a maximum debt service mill levy of 50.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District.

**6. NET POSITION**

The District has net position consisting of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2021, the District had net position invested in capital assets, net of related debt as follows:

Invested in capital assets, net of related debt:	
Capital assets	\$ 140,127
Related long-term obligations	<u>(211,889)</u>
Invested in capital assets, net of related debt	<u><u>\$ (71,762)</u></u>

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2021, as follows:

Restricted net position:	
Debt service (Note 5)	\$ 98,284
Emergency reserve (Note 10)	<u>7,800</u>
	<u><u>\$ 106,084</u></u>

The District's unrestricted net position as of December 31, 2021, totaled a deficit of \$4,345,259. This deficit amount was a result of the District being responsible for the repayment of general obligation bonds. These bonds were issued to fund the costs of providing certain public improvements, which were conveyed to other governmental entities.

See independent auditor's report.

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**7. RELATED PARTIES**

The members of the board of directors are officers, employees, or associated with Wild Pointe Investments, LLC ("Developer") and may have conflicts of interest in dealing with the District.

**8. SIGNIFICANT TRANSACTIONS**

Compromise, settlement, and release agreement

During the year ended December 31, 2021, the District was a party to litigation. On August 31, 2021, the District and Elbert and Hwy 86, LLC ("LLC") entered into a compromise, settlement, and release agreement with an individual and the Wild Pointe Ranch Homeowners Association ("HOA") for the purpose of dismissing disputes in the litigation, involving the application and scope of alleged obligations and requirements arising under or associated with expenses to be incurred with respect to traffic signals referenced in the development guide. The terms of the compromise and settlement of all claims and disputes are as follows:

(a) the District's board members resigned;

(b) the District and the Commercial District are entered into an intergovernmental agreement agreeing to the allocation of responsibility for the expenses to be incurred with respect to traffic signals, which obligations were expressly contingent on the timely and complete performance of their obligations under the intergovernmental agreement;

(c) the LLC represented and warranted that it did not have any claim against WilliamMRK Homes LLC, and/or any member, officer, or affiliate of that entity (collectively "WilliamMRK"), with respect to any matter associated with real property located within the boundaries of the District. The LLC further represented and warranted that it was not aware of any claim WilliamMRK may have for which the District would be liable;

(d) solely as an accommodation, and without any obligation to obtain any particular result or agreement with WilliamMRK, the LLC agreed to continue to work with the District and WilliamMRK until August 30, 2021, to secure the removal of the WilliamMRK real property; provided, however, this accommodation ended August 30, 2021, and nothing contained in the agreement created any additional obligation for the LLC;

(e) the District assumed sole responsibility to assure the performance of any obligation of WilliamMRK associated with the roads constructed or to be constructed and located within the boundaries of the District; and

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**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**8. SIGNIFICANT TRANSACTIONS (CONTINUED)**

Compromise, settlement, and release agreement (continued)

(f) the parties agreed to dismiss all claims in the litigation, with prejudice, each party to bear its own attorneys' fees, expenses, and costs, and to dismiss all claims against the County under the same terms. The individual and the HOA further agreed that the dismissal includes the affirmative statement that they withdraw any and all challenges to the development guide.

Intergovernmental agreement

On August 31, 2021, the District entered into an intergovernmental agreement with the Commercial District for the purpose of completing the performance obligation under the compromise, settlement, and release agreement and allocating responsibility for the installation of traffic signals that the Colorado Department of Transportation may mandate at the access points from state highway 86 to their respective properties. The District and the Commercial District agreed to the terms as follows:

(a) the District paid the Commercial District the sum of \$105,000; and

(b) the District conveyed to the Commercial District the real property interests, which the District and the Commercial District acknowledged and agreed had an appraised value of \$75,000.

The Commercial District is solely responsible for the traffic signal expenses.

Facility fees

On October 31, 2014, the District entered into a facility fee agreement with the Developer. Pursuant to the agreement, the Developer negotiated for the purchase of lots within the boundaries of the District, each of which is subject to the imposition of facility fees.

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**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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**9. 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 contractors; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2021. 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 and public officials' liability 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.

**10. 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 within the state of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

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.

District management believes the District 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 likely require judicial interpretation.

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See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**ELBERT AND HIGHWAY 86 METROPOLITAN DISTRICT**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2021**

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b><u>REVENUES</u></b>				
Property taxes	\$ 368,217	\$ 367,190	\$ 373,440	\$ 6,250
Specific ownership taxes	58,915	66,173	60,697	(5,476)
Investment income	2,000	1,000	848	(152)
<b>Total revenues</b>	<b>429,132</b>	<b>434,363</b>	<b>434,985</b>	<b>622</b>
<b><u>EXPENDITURES</u></b>				
Bank charges	-	-	19	(19)
Bond principal	95,000	95,000	95,000	-
Contingency	2,041	-	-	-
County Treasurer's fees	11,047	10,923	10,956	(33)
Interest expense	274,912	274,912	274,913	(1)
Trustee fees	3,000	2,250	5,250	(3,000)
<b>Total expenditures</b>	<b>386,000</b>	<b>383,085</b>	<b>386,138</b>	<b>(3,053)</b>
<b>Net change in fund balance</b>	<b><u>\$ 43,132</u></b>	<b><u>\$ 51,278</u></b>	<b>48,847</b>	<b><u>\$ (2,431)</u></b>
Fund balance, beginning of year			444,972	
Fund balance, end of year			<b><u>\$ 493,819</u></b>	

See independent auditor's report.