

**ELBERT AND HIGHWAY 86 COMMERCIAL
METROPOLITAN DISTRICT
Elbert County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2020**

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Independent Auditor's Report

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

Report for the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Elbert and Highway 86 Commercial Metropolitan District (District) as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Elbert and Highway 86 Commercial Metropolitan District, as of December 31, 2020, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that governmental 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
May 21, 2021

BASIC FINANCIAL STATEMENTS

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 824	\$ 58,612	\$ 59,436
Cash and Investments - Restricted	96,482	-	96,482
Prepaid Expenditures	180	423	603
Receivable - County Treasurer	245	-	245
Accounts Receivable	-	19,990	19,990
PILOT Receivable	3,443	-	3,443
PIF Receivable	313,868	-	313,868
Property Taxes Receivable	16,378	-	16,378
Capital Assets, not Being Depreciated	953,100	-	953,100
Capital Assets, Net	1,026,639	3,702,868	4,729,507
Total Assets	2,411,159	3,781,893	6,193,052
LIABILITIES			
Accounts Payable	138,192	21,449	159,641
Due to Other Governments	-	57,576	57,576
Accrued Interest Payable	2,347,760	-	2,347,760
Noncurrent Liabilities:			
Due Within One Year	2,415,000	-	2,415,000
Due in More than One Year	19,848,854	-	19,848,854
Total Liabilities	24,749,806	79,025	24,828,831
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	16,378	-	16,378
Water Service Agreement	-	1,440,000	1,440,000
Total Deferred Inflows of Resources	16,378	1,440,000	1,456,378
NET POSITION			
Net Investment in Capital Assets	(833,203)	3,702,868	2,869,665
Restricted for:			
Emergency Reserves	1,600	-	1,600
Unrestricted	(21,523,422)	(1,440,000)	(22,963,422)
Total Net Position	\$ (22,355,025)	\$ 2,262,868	\$ (20,092,157)

See accompanying Notes to Basic Financial Statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Program Revenues			Net Revenues (Expenses) and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Primary Government:							
Governmental Activities:							
General Government	\$ 157,882	\$ -	\$ 31,599	\$ -	\$ (126,283)	\$ -	\$ (126,283)
Interest and Fees on Long-Term Debt	2,295,457	-	-	-	(2,295,457)	-	(2,295,457)
Total Governmental Activities	2,453,339	-	31,599	-	(2,421,740)	-	(2,421,740)
Business-Type Activities:							
Water Resources	522,351	246,263	-	177,161	-	(98,927)	(98,927)
Total Business-Type Activities	522,351	246,263	-	177,161	-	(98,927)	(98,927)
Total Primary Government	<u>\$ 2,975,690</u>	<u>\$ 246,263</u>	<u>\$ 31,599</u>	<u>\$ 177,161</u>	(2,421,740)	(98,927)	(2,520,667)
GENERAL REVENUES							
Property Taxes					16,702	-	16,702
Specific Ownership Tax					2,976	-	2,976
PIF Revenue					1,851,779	-	1,851,779
Other Revenue					46	-	46
Net Investment Income					1,283	-	1,283
Total General Revenues and Transfers					<u>1,872,786</u>	-	<u>1,872,786</u>
CHANGE IN NET POSITION					(548,954)	(98,927)	(647,881)
Net Position - Beginning of Year					<u>(21,806,071)</u>	<u>2,361,795</u>	<u>(19,444,276)</u>
NET POSITION - END OF YEAR					<u>\$ (22,355,025)</u>	<u>\$ 2,262,868</u>	<u>\$ (20,092,157)</u>

See accompanying Notes to Basic Financial Statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

ASSETS	General	Debt Service	Total Governmental Funds
Cash and Investments	\$ 824	\$ -	\$ 824
Cash and Investments - Restricted	1,600	94,882	96,482
Prepaid Expenditures	180	-	180
Receivable - County Treasurer	245	-	245
PILOT Receivable	3,443	-	3,443
PIF Receivable	-	313,868	313,868
Property Taxes Receivable	16,378	-	16,378
	<u>22,670</u>	<u>408,750</u>	<u>431,420</u>
Total Assets	<u>\$ 22,670</u>	<u>\$ 408,750</u>	<u>\$ 431,420</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 10,718	\$ 127,474	\$ 138,192
Total Liabilities	<u>10,718</u>	<u>127,474</u>	<u>138,192</u>
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	16,378	-	16,378
Total Deferred Inflows of Resources	<u>16,378</u>	<u>-</u>	<u>16,378</u>
FUND BALANCES (DEFICITS)			
Nonspendable:			
Prepaid Amounts	180	-	180
Restricted for:			
Emergency Reserves	1,600	-	1,600
Debt Service	-	281,276	281,276
Unassigned:			
General Government	(6,206)	-	(6,206)
Total Fund Balances (Deficits)	<u>(4,426)</u>	<u>281,276</u>	<u>276,850</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 22,670</u>	<u>\$ 408,750</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 in the funds.

1,979,739

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable

(13,475,000)

Accrued Interest on Bonds

(2,347,760)

Advances Payable

(5,378,945)

Accrued Interest on Advances Payable

(3,409,909)

Net Position of Governmental Activities

\$ (22,355,025)

See accompanying Notes to Basic Financial Statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 16,702	\$ -	\$ 16,702
Specific Ownership Tax	2,976	-	2,976
Road Maintenance Fee	14,070	-	14,070
PILOT Revenue	17,529	-	17,529
Other Revenue	46	-	46
PIF Revenue	-	1,851,779	1,851,779
Net Investment Income	1	1,282	1,283
Total Revenues	51,324	1,853,061	1,904,385
EXPENDITURES			
General:			
Accounting	10,000	-	10,000
Accounting - Non-Recurring	762	-	762
Audit	1,780	-	1,780
County Treasurer's Fee	501	-	501
District Management	10,184	-	10,184
Dues and Memberships	239	-	239
Election Costs	748	-	748
Engineering	7,165	-	7,165
Insurance and Bonds	4,163	-	4,163
Landscaping	1,260	-	1,260
Legal	6,034	-	6,034
Miscellaneous	108	-	108
PIF Revenue Payment to Town of Elizabeth	-	740,711	740,711
Debt Service:			
Bond Interest	-	1,091,060	1,091,060
Paying Agent Fees	-	2,500	2,500
Total Expenditures	42,944	1,834,271	1,877,215
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,380	18,790	27,170
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance - PILOT	(5,121)	-	(5,121)
Advance - Rangeview MD	2,000	-	2,000
Total Other Financing Sources (Uses)	(3,121)	-	(3,121)
NET CHANGE IN FUND BALANCES	5,259	18,790	24,049
Fund Balances (Deficits) - Beginning of Year	(9,685)	262,486	252,801
FUND BALANCES (DEFICITS) - END OF YEAR	\$ (4,426)	\$ 281,276	\$ 276,850

See accompanying Notes to Basic Financial Statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Changes in Fund Balances - Total Governmental Funds	\$	24,049
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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 allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Depreciation		(114,938)
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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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Advance - Rangeview MD		(2,000)
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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.

Accrued Interest on Bonds - Change in Liability		(85,263)
Accrued Interest on Advances - Change in Liability		(370,802)

Change in Net Position of Governmental Activities	\$	<u>(548,954)</u>
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**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE (DEFICITS) – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 16,702	\$ 16,702	\$ -
Specific Ownership Tax	2,800	2,976	176
Net Investment Income	-	1	1
Road Maintenance Fee	14,072	14,070	(2)
PILOT Revenue	-	17,529	17,529
Other Revenue	10,000	46	(9,954)
Total Revenues	<u>43,574</u>	<u>51,324</u>	<u>7,750</u>
EXPENDITURES			
Current:			
Accounting	10,000	10,000	-
Accounting - Non-Recurring	4,000	762	3,238
Audit	1,800	1,780	20
County Treasurer's Fee	501	501	-
District Management	4,000	10,184	(6,184)
Dues and Memberships	350	239	111
Election Costs	1,000	748	252
Engineering	10,000	7,165	2,835
Insurance and Bonds	5,000	4,163	837
Landscaping	2,000	1,260	740
Legal	15,000	6,034	8,966
Miscellaneous	5,349	108	5,241
Total Expenditures	<u>59,000</u>	<u>42,944</u>	<u>16,056</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,426)	8,380	23,806
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance - PILOT	-	(5,121)	(5,121)
Transfer to Other Funds	(19,001)	-	19,001
Advance - Rangeview MD	34,027	2,000	(32,027)
Total Other Financing Sources (Uses)	<u>15,026</u>	<u>(3,121)</u>	<u>(18,147)</u>
NET CHANGE IN FUND BALANCE	(400)	5,259	5,659
Fund Balance (Deficits) - Beginning of Year	<u>1,500</u>	<u>(9,685)</u>	<u>(11,185)</u>
FUND BALANCE (DEFICITS) - END OF YEAR	<u>\$ 1,100</u>	<u>\$ (4,426)</u>	<u>\$ (5,526)</u>

See accompanying Notes to Basic Financial Statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
WILD POINTE WATER ACTIVITY ENTERPRISE FUND
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	58,612
Accounts Receivable		19,990
Prepaid Expense		423
Total Current Assets		79,025

NONCURRENT ASSETS

Capital Assets, Net of Accumulated Depreciation:		
Water Lines		1,827,939
Water Wells		549,218
Reservoir		719,499
Pump House		606,212
Total Capital Assets, Net		3,702,868
Total Assets	\$	3,781,893

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND NET POSITION**

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	21,449
Due to Other Governments		57,576
Total Current Liabilities		79,025

DEFERRED INFLOWS OF RESOURCES

Water Service Agreement		1,440,000
Total Deferred Inflows of Resources		1,440,000

NET POSITION

Net Investment in Capital Assets		3,702,868
Unrestricted		(1,440,000)
Total Net Position		2,262,868
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	3,781,893

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
WILD POINTE WATER ACTIVITY ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2020**

OPERATING REVENUES	
Water Revenue	\$ 246,263
Total Operating Revenues	246,263
OPERATING EXPENSES	
Accounting	15,000
Accounting - Nonrecurring	4,919
Audit	2,670
District Management	4,734
Dues and Memberships	358
Legal	5,026
Insurance and Bonds	6,091
Utilities	50,871
Water Operations	55,470
Water Service Agreement Payment	238,191
Depreciation	138,927
Contingency	94
Total Operating Expenses	522,351
OPERATING INCOME (LOSS)	(276,088)
CAPITAL CONTRIBUTIONS	
Water Tap Fees	137,161
Amortization of Water Service Agreement	40,000
Total Capital Contributions	177,161
CHANGE IN NET POSITION	(98,927)
Net Position - Beginning of Year	2,361,795
NET POSITION - END OF YEAR	\$ 2,262,868

See accompanying Notes to Basic Financial Statements.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
WILD POINTE WATER ACTIVITY ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 281,671
Payments to Suppliers	<u>(493,977)</u>
Net Cash Used by Operating Activities	<u>(212,306)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Water Tap Fees	137,161
Net Cash Provided by Capital and Related Financing Activities	<u>137,161</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (75,145)

Cash and Cash Equivalents - Beginning of Year 133,757

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 58,612

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (276,088)
Adjustments to Reconcile Operating Income (Loss) from Operations to Net Cash Used by Operating Activities:	
Depreciation	138,927
Net Increase (Decrease) in Due to Other Governments	(109,266)
Net (Increase) Decrease in Accounts Receivable	35,408
Net (Increase) Decrease in Prepaid Insurance	(183)
Net Increase (Decrease) in Accounts Payable	<u>(1,104)</u>
Net Cash Used by Operating Activities	<u><u>\$ (212,306)</u></u>

NONCASH CAPITAL FINANCING ACTIVITIES

Water Service Agreement Amortization	<u><u>\$ 40,000</u></u>
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**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

Elbert and Highway 86 Commercial Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized as Elbert and Highway 86 Water District by order of the District Court of Elbert County on November 26, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). In accordance with its Service Plan, the District was formed to provide financing for the construction, acquisition, and installation of water facilities and improvements in its service area within Elbert County. The District also provides water services to Elbert and Highway 86 Metropolitan District. During 2004, the District amended its Service Plan to allow it to construct, acquire, finance, operate and maintain certain public improvements including streets, traffic and safety controls, street lighting, water, sanitary sewer, landscaping, storm drainage, television relay, and mosquito control facilities and improvements for the District's commercial development, in addition to the water services and facilities outlined in its original Service Plan.

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, including Elbert and Highway 86 Metropolitan District, 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. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 and the sum of liabilities and deferred inflows is reported as net position.

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: 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 the governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise 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 and proprietary fund 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 sources of revenue subject to accrual are PIF revenue and property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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 another fund.

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

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The District reports the following major proprietary fund:

Wild Pointe Water Activity Enterprise Fund is used to account for all financial resources related to the Wild Pointe Water Project.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

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 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, 2020.

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.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 30 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 revenue are recorded as revenue in the year they are available or collected.

Per a Memorandum of Mill Levy Cap dated August 7, 2007, the District has agreed that WalMart, which is the major owner of the property within the District, will not be subject to a mill levy in excess of 5.000 mills.

Capital Assets

Capital assets, which include water rights, water system facilities and street and storm drainage improvements, are reported in the governmental activities or the business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial 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 process, and are not included in the calculation of net investment in capital assets.

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 that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water Pipelines	50 Years
Water Wells	50 Years
Reservoir	35 Years
Pump Houses	30 Years
Water Meter System	10 Years
Streets/Parking Lots	20 Years
Storm Drainage	25 Years

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Service Charges and Fees

A water tap fee is charged against property within the District and Elbert and Highway 86 Metropolitan District. The water tap fee is due at the time of issuance of a building permit. The water tap fee constitutes a statutory perpetual lien upon the property until paid.

The District imposes water service fees and charges for all property located within the District and within Elbert and Highway 86 Metropolitan District to help defray the costs of those services provided by the District.

Pursuant to the Maintenance Agreement between RLF Wild Pointe Properties, LLC and the District entered into on August 30, 2016, the commercial property owners are to pay an annual road maintenance fee to the District toward the cost of maintaining, repairing, and replacing the road. The initial fee of \$2,600 per lot is due and payable on or before January 1st and shall increase by 2% every year for the first 20 years of this agreement.

Per the Exclusion/PILOT Agreement dated April 4, 2012, the District shall collect an annual PILOT payment from the owners of the excluded properties. The PILOT payment amount is calculated as 12.000 mills of the current-year assessed valuation of the excluded property.

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 two items that qualify for reporting in this category. Accordingly, the items, property tax revenue and water service agreement, are deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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 practice to use the most restrictive classification first.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2020. The deficit is expected to be eliminated with the receipt of funds advanced from Rangeview Metropolitan District in 2021.

NOTE 3 CASH AND INVESTMENTS

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

Cash and Investments	\$ 59,436
Cash and Investments - Restricted	96,482
Total Cash and Investments	<u>\$ 155,918</u>

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 61,036
Investments	<u>94,882</u>
Total Cash and Investments	<u><u>\$ 155,918</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. 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, 2020, the District's cash deposits had a bank balance of \$155,394 and a carrying balance of \$61,036.

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.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 4,839
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	90,043
Total		<u>\$ 94,882</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the 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 Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. treasury securities, repurchase agreements collateralized by U.S. 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 at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance at December 31, 2019	Additions	Transfers/ Retirements	Balance at December 31, 2020
<u>Governmental Activities</u>				
Capital Assets, not Being Depreciated:				
Water Rights	\$ 953,100	\$ -	\$ -	\$ 953,100
Total Capital Assets, Not Being Depreciated	953,100	-	-	953,100
Capital Assets, Being Depreciated:				
Storm Drainage	735,634	-	-	735,634
Streets	1,710,254	-	-	1,710,254
Total Capital Assets, Being Depreciated	2,445,888	-	-	2,445,888
Less Accumulated Depreciation For:				
Storm Drainage	(235,402)	(29,425)	-	(264,827)
Streets	(1,068,909)	(85,513)	-	(1,154,422)
Total Accumulated Depreciation	(1,304,311)	(114,938)	-	(1,419,249)
Total Capital Assets, Being Depreciated, Net	1,141,577	(114,938)	-	1,026,639
Governmental Activities - Capital Assets, Net	<u>\$ 2,094,677</u>	<u>\$ (114,938)</u>	<u>\$ -</u>	<u>\$ 1,979,739</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at December 31, 2019	Transfers/ Additions	Retirements	Balance at December 31, 2020
<u>Business-Type Activities</u>				
Capital Assets, Being Depreciated:				
Water Lines	\$ 2,439,013	\$ -	\$ -	\$ 2,439,013
Water Wells	779,514	-	-	779,514
Reservoir	1,166,854	-	-	1,166,854
Pump House	1,236,544	-	-	1,236,544
Water Meter System	39,159	-	-	39,159
Total Capital Assets, Being Depreciated	5,661,084	-	-	5,661,084
Less Accumulated Depreciation For:				
Water Lines	(562,293)	(48,781)	-	(611,074)
Water Wells	(214,706)	(15,590)	-	(230,296)
Reservoir	(414,017)	(33,338)	-	(447,355)
Pump House	(589,114)	(41,218)	-	(630,332)
Water Meter System	(39,159)	-	-	(39,159)
Total Accumulated Depreciation	(1,819,289)	(138,927)	-	(1,958,216)
Total Capital Assets, Being Depreciated, Net	3,841,795	(138,927)	-	3,702,868
Business-Type Activities - Capital Assets, Net	<u>\$ 3,841,795</u>	<u>\$ (138,927)</u>	<u>\$ -</u>	<u>\$ 3,702,868</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
General Government	\$ 114,938
Total Depreciation Expense - Governmental Activities	<u>\$ 114,938</u>
Business-Type Activities:	
Water Resources	\$ 138,927
Total Depreciation Expense - Business-Type Activities	<u>\$ 138,927</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2019	Additions	Retirements/ Adjustments	Balance at December 31, 2020	Due within One Year
Bonds Payable					
PIF Revenue Bonds	\$ 13,475,000	\$ -	\$ -	\$ 13,475,000	\$ 2,415,000
Subtotal of Bonds Payable	13,475,000	-	-	13,475,000	2,415,000
Other Debts					
Developer Advance - RLF Wild Pointe Properties	5,277,945	-	-	5,277,945	-
Accrued Interest - RLF Wild Pointe Properties	3,036,907	369,857	5,121	3,401,643	-
Advance - Rangeview MD	99,000	2,000	-	101,000	-
Accrued Interest - Rangeview MD	2,200	6,066	-	8,266	-
Subtotal of Other Debts	8,416,052	377,923	5,121	8,788,854	-
Total Long-Term Obligations	<u>\$ 21,891,052</u>	<u>\$ 377,923</u>	<u>\$ 5,121</u>	<u>\$ 22,263,854</u>	<u>\$ 2,415,000</u>

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

PIF Revenue Bonds – Series 2008

On July 29, 2008, the District issued \$15,000,000 of Public Improvement Fee Revenue Bonds, Series 2008A (the 2008 Bonds). The proceeds from the sale of the 2008 Bonds were used for the purposes of: (a) financing the design, acquisition, construction, completion, installation, relocation and provision of certain public improvements and facilities; (b) funding the Reserve Fund; (c) providing capitalized interest for the payment of a portion of the interest on the 2008 Bonds; and (d) paying the costs of issuance of the 2008 Bonds.

The 2008 Bonds bear interest at 7.50%, per annum payable semi-annually on June 1 and December 1. Annual mandatory sinking fund principal payments are due on December 1 of each year. The 2008 Bonds mature on December 1, 2032. The 2008 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2018, and on any date thereafter, upon payment of par plus accrued interest, without redemption premium.

The Bonds are subject to extraordinary redemption from monies remaining in the restricted account of the project fund as of October 1, 2011. An extraordinary redemption of \$1,245,000 was paid on December 1, 2011.

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

PIF Revenue Bonds – Series 2008 (Continued)

The 2008 Bonds are special limited revenue obligations of the District secured by and payable from Pledged Revenue, consisting of: (a) the Pledged PIF Revenues, consisting of the public improvement fees received by the District pursuant to the PIF Covenant and the PIF Collection Agreement; and (b) any other legally available monies that the District determines to credit to the Revenue Fund. The 2008 Bonds are also secured by a Reserve Fund in the required amount of \$1,500,000. Additionally, under certain circumstances, moneys accumulated in the Surplus Fund, if any, will be used to pay the 2008 Bonds. The balance in the Reserve Fund at December 31, 2020, was \$-0-.

Pledged Revenue not required for the Bond Fund or the Reserve Fund shall be credited to the Surplus Fund in a maximum amount of \$800,000. The District shall have no obligation to fund the Surplus Fund in any amount. For so long as the Surplus Fund is in existence, monies therein shall be used: (i) to prevent a failure to make the payment of the principal of or interest on the 2008 Bonds when due, or (ii) to fund the payment or defeasance of all of the then outstanding 2008 Bonds. The Surplus Fund is pledged to the payment of the 2008 Bonds, and is not be used or pledged to the payment of any other obligations, including, without limitation, any Parity Obligations or Subordinate Obligations.

The Surplus Fund shall be maintained by the Trustee until such time as the average annual PIF Revenues for the most recent 12-month period is equal to 1.35 times the average annual principal and interest on the 2008 Bonds as of the Issue Date, whereupon all amounts then on deposit in the Surplus Fund not needed to pay current debt service on the 2008 Bonds shall be remitted to the District to be used for any lawful purpose, and the Surplus Fund shall thereupon be terminated. The balance in the Surplus Fund at December 31, 2020, was \$-0-.

Until additional commercial development occurs within the District to generate increased PIF revenues, the District anticipates that Pledged Revenue in future years will not be sufficient to pay when due the entire amount of debt service on the Bonds.

In 2020, the following information was posted as part of material event notices posted on the Electronic Municipal Market Access (EMMA) website:

“For the June 1, 2020, debt service payment, the District had pledged revenues available of \$511,482.50. The interest payment due on June 1, 2020 was \$505,312.50.”

“For the December 1, 2020, debt service payment, the District had pledged revenues available of \$579,577.90. The interest payment due on December 1, 2020, was \$505,312.50.”

As of December 1, 2020, the balance of the compounded accrued unpaid interest was \$2,347,760 and the accumulated unpaid principal of \$1,855,000 was added to the scheduled principal payment due in 2021.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

PIF Revenue Bonds – Series 2008 (Continued)

The District’s long-term debt will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,415,000	\$ 3,358,385	\$ 5,773,385
2022	620,000	829,500	1,449,500
2023	680,000	783,000	1,463,000
2024	745,000	732,000	1,477,000
2025	815,000	676,125	1,491,125
2026-2030	5,340,000	2,343,000	7,683,000
2031-2032	2,860,000	326,250	3,186,250
Total	<u>\$ 13,475,000</u>	<u>\$ 9,048,260</u>	<u>\$ 22,523,260</u>

Advance and Reimbursement Agreements

Wild Pointe Partners, Inc. (Wild Pointe) and Shops East, LLC (Shops East), collectively “the Developer,” are related entities.

During 2012, the Developer assigned its rights to payment under the advance and reimbursement agreements to RLF Wild Pointe Properties, LLC (New Developer). At the same time, the New Developer entered into an advance and reimbursement agreement with the District, for which the District agreed to reimburse the New Developer for advances, together with interest at the rate of seven percent (7%) per annum. The District will make payments for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. This reimbursement obligation is subordinate to any District bonded indebtedness.

On August 30, 2016, the District and Elbert and Highway 86 Metro District (MD), collectively the Districts, and the New Developer entered into the Advance and Reimbursement Agreement. Pursuant to the agreement, upon the request for an advance, the Districts shall provide substantiation of the need for such advances. Such advances shall not exceed the total aggregate amount of \$100,000 in any given fiscal year without prior written authorization. Furthermore, such advances shall not be used for the payment of any debt or long-term financial obligations, but shall be for operations, maintenance, and administrative purposes only. Should the Districts desire funding for capital purposes, the parties must agree in advance to those funding requirements and shall further agree to such terms in writing. In addition, the Districts and the New Developer acknowledge prior advances and the obligation of the Districts to repay, subject to annual appropriation and the budget approval. The obligation of the District and the MD to repay the outstanding advances is a joint and severable obligation, regardless of whether an advance was or is made only to one of the District or the MD.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements (Continued)

In July 2016, an appraisal on the valuation of the Arapahoe and Denver Aquifer groundwater was completed. Based on the appraisal report, as of the effective date of May 31, 2007, the estimated market value of the first use of the groundwater is \$953,100. These water rights were deeded from the Developer to the District on May 31, 2007 without an appraisal. Therefore, the appraised value of \$953,100 was added to the outstanding Developer advances during 2016.

As of December 31, 2020, total New Developer advances issued and payable under the District was \$5,277,945 and accrued interest payable was \$3,401,643. Total advances issued and payable under the MD was \$-0- and accrued interest payable was \$-0- through December 31, 2020.

According to a memorandum issued in April 2018, related to the Water Service Agreement with Rangeview Water District (Provider), in the event the District's General Fund revenues are insufficient to fund General Fund expenditures, Provider shall loan funds to the District's General Fund at a simple interest rate of 6% per annum. As of December 31, 2020, total advances issued and payable to the Provider was \$101,000 and accrued interest payable was \$8,266.

Debt Authorization

On November 5, 2002, the District's voters authorized the issuance of indebtedness in an amount not to exceed \$4,656,500 at an interest rate not to exceed 18%. On November 2, 2004, the District's voters authorized an additional indebtedness in an amount not to exceed \$30,050,000 at an interest rate not to exceed 18%. Prior borrowing was allocated to these old authorizations.

On November 4, 2008, the District's voters re-voted to authorize indebtedness totaling \$180,000,000 for purposes described below. On November 2, 2010, the District's voters authorized an additional indebtedness totaling \$3,976,456,852. As of December 31, 2020, the District had authorized but unissued indebtedness allocated for the following purposes:

	November 4, 2008 Authorization	November 2, 2010 Authorization	Authorization Used by the Series 2008 Bonds	Remaining Authorization
Street Improvements	\$ 30,000,000	\$ -	\$ (4,139,017)	\$ 25,860,983
Water System	30,000,000	907,364,213	(5,119,761)	932,244,452
Sanitary Sewer/Drainage	30,000,000	50,000,000	(5,741,222)	74,258,778
Operations and Maintenance	30,000,000	1,006,364,213	-	1,036,364,213
Debt Refunding	30,000,000	1,006,364,213	-	1,036,364,213
Intergovernmental Contracts	30,000,000	1,006,364,213	-	1,036,364,213
Total	<u>\$ 180,000,000</u>	<u>\$ 3,976,456,852</u>	<u>\$ (15,000,000)</u>	<u>\$ 4,141,456,852</u>

Pursuant to the District's amended service plan, the District's maximum allowable indebtedness is \$45,000,000.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2020, the District had net investment in capital assets calculated as follows:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 1,979,739	\$ 3,702,868
Less: Capital Related Debt		
Noncurrent Portion of Long-Term Obligations	(2,812,942)	-
Net Investment in Capital Assets	\$ (833,203)	\$ 3,702,868

The restricted component of net position includes assets that are restricted for use either externally 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 at December 31, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 1,600
Total Restricted Net Position	\$ 1,600

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 RELATED PARTY

Collectively, Wild Pointe Partners, Inc., Shops East, LLC, Shops at Wild Pointe and Elbert and Hwy 86 LLC are related parties and are referred to as the Developers. RLF Wild Pointe Properties, LLC is referred to as the New Developer. In addition, two members of the Board of Directors are from Rangeview Metropolitan District, referred to as the Provider (Water Service Agreement).

The majority of the members of the Board of Directors of the District are employees of, owners of, or associated with the Developers, New Developer, and Provider and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developers, New Developer, and Provider.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

Town of Elizabeth

On January 10, 2006, and as amended on March 28, 2006, and February 13, 2007, the District entered into an intergovernmental agreement with the Town of Elizabeth (Town) and with Elbert and Hwy 86, LLC (Elbert) regarding sanitary sewer service to the commercial property within the District that is owned by the Developers.

The District shall construct a sanitary sewer line, as well as a lift station and force main, with sufficient capacity to carry wastewater flows from the commercial property to the Town's wastewater treatment facilities. During 2007, construction was completed and these sewer improvements were dedicated to the Town for ownership, operation, and maintenance, and the Town shall provide sanitary sewer service to the commercial property.

In the event that additional properties are added to the sewer improvements, the properties shall pay a pro-rata share of the cost of the improvements. Properties serviced by the sewer improvements shall pay the in-Town tap fee in effect at the time of connection and shall pay the in-Town service charges for sanitary sewer service.

In consideration for the Town's agreement to provide sanitary sewer service, the Developers and the District agreed to grant, sell, and convey any and all rights each has in and to water in effluent treated by the Town. Such water rights have been conveyed.

Elbert agrees to pay to the Town an impact fee of fifty cents (\$0.50) per square foot of building area for developed commercial property. Elbert, on behalf of the District, will impose a public improvement fee (PIF) on the commercial property. The PIF is 4.0% of the total taxable sales transactions occurring within the boundaries of the District. Upon receipt of the PIF, the District shall remit 40% of the amount received (1.6%) to the Town to pay for the Town's costs associated with the commercial property and its related impacts upon the Town. The District will use the remaining PIF amount for debt service on the 2008 bonds. The 1.6% PIF shall be paid to the Town until the bonds issued by the District are paid in full or for 40 years from the first imposition of the PIF, whichever occurs first. Thereafter, the Town's PIF shall not be less than 1%. It is the intent of the Town and the District that the PIF be equivalent to the Town's sales tax rate and will be increased for any increases in the Town's sales tax rate. However, the District shall retain full discretion to set the PIF rate, regardless of the Town's sales tax rate.

During 2020, the District paid \$740,711 to the Town under this agreement.

Water Service Agreement

On December 15, 2016, the District entered into a Water Service Agreement with Rangeview Metropolitan District (Provider). At closing, on January 9, 2017, the Provider paid the District \$1,600,000 in exchange for the exclusive rights granted by the District to the Provider. In addition, the Parties appointed two individuals designated by the Provider to the Board of Directors of the District.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Water Service Agreement (Continued)

Effective as of the Closing Date, the District granted the Provider an exclusive license to use, re-use, treat, and distribute the water rights for the purpose of furnishing water service to the District customers and for other such purposes as the Provider deems appropriate as long as such other uses do not impair water service to the District customers. In addition, the District granted to the Provider a nonexclusive license to use any easements, rights-of-way or other property interests held or owned by the District, or hereafter acquired by the District, as may reasonably be required or useful to accommodate (i) Provider's operation and maintenance of the District water system and (ii) subject to the limitation set forth in this agreement. The District shall reasonably cooperate with the Provider to enable to Provider to obtain, such additional easements, rights-of-way or other property interests reasonably required to enable the Provider to perform its obligations under this agreement. If the Provider recommends or the District requires that the location of any easements, rights-of-way or other property interests be adjusted, the Parties agree to cooperatively work together on relocating easements.

Pursuant to the agreement, the District shall retain ownership, dominion, and control of the water rights, and other water owned or legally available to the District, including the right to use and re-use said water until extinction. The Provider shall keep and maintain accurate records of all contracts and expenses related to the District water system and all other records necessary for the administration and operation of the District water system. The Provider shall provide to the District (i) annual budgets and operating plans with respect to the District water system not later than October 1 of each year for the following year, (ii) annual reports on the status of the District water system within 20 days of the end of each calendar year, and (iii) such other information as the District may reasonable request in order to assure itself that the water demands of the District are being adequately provided for, to comply with its obligations. The District shall keep and maintain (i) accurate books, records and accounts of all collections and disbursements of rates, fees and charges, (ii) records related to the issuance of taps, and (iii) such other records as may be required by applicable laws and regulations.

Furthermore, at closing, the District transferred ownership of all components of the SCADA system and the automated meter reading system to the Provider so the Provider can read the meters and bill the District customers. The Provider is entitled to the ending funds available of the Enterprise Fund, which is net of revenues less expenditures related to the water system. In addition, the Provider shall be responsible for collection efforts on delinquent accounts.

The \$1,600,000 received by the District was recognized as a deferred inflow of resources and is being amortized over the period of 40 years, which represents the average useful lives of the business-type activities' capital assets using the straight-line method.

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 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 (the 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 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, except Enterprises.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes its Wild Pointe Water Activity Enterprise Fund operations qualify for this exclusion.

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.

ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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

On November 2, 2010, the District's electors authorized the District to collect, retain and spend all revenue without regard to limitation under TABOR in 2010 and all subsequent years. Additionally, the District voters passed an election question to increase property taxes \$50,000,000 annually, without limitation of rate, to pay the District's operations, maintenance, and other expenses.

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.

NOTE 11 SUBSEQUENT EVENT

On April 20, 2021, the District issued its Special Revenue and Tax Supported Refunding and Improvement Senior Bonds, Series 2021A (Series 2021A) in the amount of \$25,150,000 and Special Revenue and Tax Supported Subordinate Bonds, Series 2021B (Series 2021B) in the amount of \$3,815,000 (collectively, the 2021 Bonds). The proceeds of the 2021 Bonds were used to advance refund the Public Improvement Fee Revenue Bonds, Series 2008A (the 2008 Bonds) and fund the costs of public improvements. The 2021 Bonds are term bonds due December 1, 2051, at an interest rate of 5.00% for the Series 2021A Bonds and an interest rate of 8.00% for the Series 2021B Bonds.

SUPPLEMENTARY INFORMATION

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 7,000	\$ 1,282	\$ (5,718)
Other Revenue	50,000	-	(50,000)
PIF Revenue	1,687,000	1,851,779	164,779
PILOT Revenue	22,072	-	(22,072)
Total Revenues	<u>1,766,072</u>	<u>1,853,061</u>	<u>86,989</u>
EXPENDITURES			
Bond Interest	1,048,000	1,091,060	(43,060)
Cost of Issuance	653,460	-	653,460
Paying Agent Fees	4,000	2,500	1,500
PIF Collection Fees	8,000	-	8,000
PIF Revenue Payment to Town of Elizabeth	674,800	740,711	(65,911)
Refunding Escrow	16,138,656	-	16,138,656
Contingency	50,000	-	50,000
Total Expenditures	<u>18,576,916</u>	<u>1,834,271</u>	<u>16,742,645</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16,810,844)	18,790	16,829,634
OTHER FINANCING SOURCES (USES)			
Bond Issuance	20,173,000	-	(20,173,000)
Repay Developer Advance	(3,380,884)	-	3,380,884
Transfer from Other Funds	19,001	-	(19,001)
Total Other Financing Sources (Uses)	<u>16,811,117</u>	<u>-</u>	<u>(16,811,117)</u>
NET CHANGE IN FUND BALANCE	273	18,790	18,517
Fund Balance - Beginning of Year	<u>253,384</u>	<u>262,486</u>	<u>9,102</u>
FUND BALANCE - END OF YEAR	<u>\$ 253,657</u>	<u>\$ 281,276</u>	<u>\$ 27,619</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
WILD POINTE WATER ACTIVITY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Water Tap Fees	\$ 156,000	\$ 145,000	\$ 137,161	\$ (7,839)
Water Revenue	230,000	275,000	246,263	(28,737)
Total Revenues	386,000	420,000	383,424	(36,576)
EXPENDITURES				
Current:				
Accounting	15,000	15,000	15,000	-
Accounting - Nonrecurring	6,000	5,000	4,919	81
Audit	2,700	2,670	2,670	-
District Management	6,000	6,000	4,734	1,266
Dues and Memberships	480	358	358	-
Insurance and Bonds	7,500	6,091	6,091	-
Legal	10,000	8,000	5,026	2,974
Utilities	50,000	52,000	50,871	1,129
Water Operations	52,000	56,000	55,470	530
Water Service Agreement Payment	235,320	268,681	238,191	30,490
Contingency	1,000	200	94	106
Total Expenditures	386,000	420,000	383,424	36,576
NET CHANGE IN FUNDS AVAILABLE	-	-	-	-
Funds Available - Beginning of Year	-	-	-	-
FUNDS AVAILABLE - END OF YEAR	\$ -	\$ -	\$ -	\$ -
Funds Available are Defined as Follows:				
Current Assets			\$ 79,025	
Current Liabilities			(79,025)	
Funds Available			\$ -	

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
WILD POINTE WATER ACTIVITY ENTERPRISE FUND
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	Actual
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position:	
Revenues (Budgetary Basis)	\$ 383,424
Amortization of Water Service Agreement	40,000
Total Revenue per Statement of Revenues, Expenses, and Changes in Net Position	423,424
Expenditures (Budgetary Basis):	383,424
Depreciation	138,927
Total Expenses per Statement of Revenues, Expenses, and Changes in Net Position	522,351
Change in Net Position per Statement of Revenues, Expenses, and Changes in Net Position	\$ (98,927)

OTHER INFORMATION

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

\$15,000,000 Public Improvement Fee
Revenue Bonds, Series 2008A
Dated July 29, 2008
7.5% Term Bonds Due December 1, 2032
Interest Payable June 1 and December 1,
Principal Due December 1

<u>Year Ended December 31.</u>	Governmental Activities		
	Bonded Debt		Total
	Principal	Interest	
2021	\$ 2,415,000	\$ 3,358,385	\$ 5,773,385
2022	620,000	829,500	1,449,500
2023	680,000	783,000	1,463,000
2024	745,000	732,000	1,477,000
2025	815,000	676,125	1,491,125
2026	890,000	615,000	1,505,000
2027	975,000	548,250	1,523,250
2028	1,060,000	475,125	1,535,125
2029	1,155,000	395,625	1,550,625
2030	1,260,000	309,000	1,569,000
2031	1,370,000	214,500	1,584,500
2032	1,490,000	111,750	1,601,750
Total	\$ 13,475,000	\$ 9,048,260	\$ 22,523,260

NOTE: Currently pledged revenues are not sufficient to meet the annual debt service requirements of the Bonds. Accrued unpaid interest at December 31, 2020, totaled \$2,347,760.

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 3,409,750	5.000	0.000	\$ 17,049	\$ 17,049	100.00 %
2017	3,331,190	5.000	0.000	16,656	16,656	100.00
2018	3,326,910	5.000	0.000	16,635	16,635	100.00
2019	3,309,440	5.000	0.000	16,547	16,547	100.00
2020	3,340,340	5.000	0.000	16,702	16,702	100.00
Estimated for the Year Ending December 31, 2021	\$ 3,275,580	5.000	0.000	\$ 16,378		