

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICITS) – BUDGET AND ACTUAL	6
STATEMENT OF NET POSITION – WILD POINTE WATER ACTIVITY ENTERPRISE FUND	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – WILD POINTE WATER ACTIVITY ENTERPRISE FUND	8
STATEMENT OF CASH FLOWS – WILD POINTE WATER ACTIVITY ENTERPRISE FUND	9
NOTES TO BASIC FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	33
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	34
WILD POINTE WATER ACTIVITY ENTERPRISE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS AVAILABLE – BUDGET AND ACTUAL	35
WILD POINTE WATER ACTIVITY ENTERPRISE FUND – RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION	36
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	38
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	39



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Independent Auditor's Report

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

Opinions

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, 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, the business-type activities and each major fund of Elbert and Highway 86 Commercial Metropolitan District, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 GAAS 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 GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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.

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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
June 28, 2022

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 32,386	\$ 37,261	\$ 69,647
Cash and Investments - Restricted	5,035,358	-	5,035,358
Prepaid Expenses	180	270	450
Receivable - County Treasurer	265	-	265
Accounts Receivable	-	16,269	16,269
PIF Receivable	320,782	-	320,782
Property Taxes Receivable	16,289	-	16,289
Other Receivable	39,682	-	39,682
Capital Assets, Not Being Depreciated	1,191,085	-	1,191,085
Capital Assets, Net	911,701	3,563,941	4,475,642
Total Assets	<u>7,547,728</u>	<u>3,617,741</u>	<u>11,165,469</u>
LIABILITIES			
Accounts Payable	319,978	30,158	350,136
Retainage Payable	7,157	-	7,157
Due to Other Governments	-	23,642	23,642
Accrued Interest Payable	115,884	-	115,884
Noncurrent Liabilities:			
Due Within One Year	50,760	-	50,760
Due in More than One Year	30,921,635	-	30,921,635
Total Liabilities	<u>31,415,414</u>	<u>53,800</u>	<u>31,469,214</u>
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	16,289	-	16,289
Water Service Agreement	-	1,400,000	1,400,000
Total Deferred Inflows of Resources	<u>16,289</u>	<u>1,400,000</u>	<u>1,416,289</u>
NET POSITION			
Net Investment in Capital Assets	(5,352,286)	3,563,941	(1,788,345)
Restricted For:			
Emergency Reserves	1,600	-	1,600
Debt Service	832,452	-	832,452
Unrestricted	<u>(19,365,741)</u>	<u>(1,400,000)</u>	<u>(20,765,741)</u>
Total Net Position	<u>\$ (23,883,975)</u>	<u>\$ 2,163,941</u>	<u>\$ (21,720,034)</u>

See accompanying Notes to Basic Financial Statements.

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

FUNCTIONS/PROGRAMS	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
Primary Government:							
Governmental Activities:							
General Government	\$ 175,150	\$ -	\$ 31,524	\$ 180,000	\$ 36,374	\$ -	\$ 36,374
Interest and Fees on Long-Term Debt	3,474,353	-	-	-	(3,474,353)	-	(3,474,353)
Total Governmental Activities	3,649,503	-	31,524	180,000	(3,437,979)	-	(3,437,979)
Business-Type Activities:							
Water Resources	411,437	226,231	-	86,279	-	(98,927)	(98,927)
Total Business-Type Activities	411,437	226,231	-	86,279	-	(98,927)	(98,927)
Total Primary Government	\$ 4,060,940	\$ 226,231	\$ 31,524	\$ 266,279	(3,437,979)	(98,927)	(3,536,906)
GENERAL REVENUES							
Property Taxes					16,378	-	16,378
Specific Ownership Taxes					2,940	-	2,940
PIF Revenue					1,761,458	-	1,761,458
Reimbursed Expenditures					125,979	-	125,979
Other Revenue					1,928	-	1,928
Net Investment Income					346	-	346
Total General Revenues and Transfers					1,909,029	-	1,909,029
CHANGE IN NET POSITION					(1,528,950)	(98,927)	(1,627,877)
Net Position - Beginning of Year					(22,355,025)	2,262,868	(20,092,157)
NET POSITION - END OF YEAR					\$ (23,883,975)	\$ 2,163,941	\$ (21,720,034)

See accompanying Notes to Basic Financial Statements.

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

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 32,386	\$ -	\$ -	\$ 32,386
Cash and Investments - Restricted	1,600	2,849,737	2,184,021	5,035,358
Prepaid Expenses	180	-	-	180
Receivable - County Treasurer	265	-	-	265
PIF Receivable	-	320,782	-	320,782
Property Taxes Receivable	-	16,289	-	16,289
Other Receivable	-	-	39,682	39,682
Total Assets	\$ 34,431	\$ 3,186,808	\$ 2,223,703	\$ 5,444,942
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 6,888	\$ 131,199	\$ 181,891	\$ 319,978
Retainage Payable	-	-	7,157	7,157
Total Liabilities	6,888	131,199	189,048	327,135
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	-	16,289	-	16,289
Total Deferred Inflows of Resources	-	16,289	-	16,289
FUND BALANCES				
Nonspendable:				
Prepaid Amounts	180	-	-	180
Restricted For:				
Emergency Reserves	1,600	-	-	1,600
Debt Service	-	3,039,320	-	3,039,320
Capital Projects	-	-	2,034,655	2,034,655
Assigned to:				
Subsequent Year's Expenditures	8,115	-	-	8,115
Unassigned:				
General Government	17,648	-	-	17,648
Total Fund Balances	27,543	3,039,320	2,034,655	5,101,518
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 34,431	\$ 3,186,808	\$ 2,223,703	

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.	2,102,786
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds Payable	(28,965,000)
Bonds Premium	(1,037,322)
Accrued Interest on Bonds	(115,884)
Advances Payable	(553,904)
Accrued Interest on Advances Payable	(416,169)
Net Position of Governmental Activities	\$ (23,883,975)

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, 2021**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 16,378	\$ -	\$ -	\$ 16,378
Specific Ownership Taxes	2,940	-	-	2,940
Road Maintenance Fee	14,350	-	-	14,350
PILOT Revenue	17,174	-	-	17,174
Other Revenue	1,928	-	-	1,928
Reimbursed Expenditures	125,979	-	-	125,979
PIF Revenue	-	1,761,458	-	1,761,458
Net Investment Income	-	214	132	346
Other Contributions	-	-	180,000	180,000
Total Revenues	<u>178,749</u>	<u>1,761,672</u>	<u>180,132</u>	<u>2,120,553</u>
EXPENDITURES				
General:				
Accounting	11,000	-	1,250	12,250
Accounting - Non-Recurring	3,747	-	-	3,747
Audit	1,800	-	-	1,800
County Treasurer's Fee	491	-	-	491
District Management	6,908	-	-	6,908
Dues and Memberships	124	-	-	124
Engineering	-	-	32,292	32,292
Insurance and Bonds	4,072	-	-	4,072
Landscaping	1,224	-	-	1,224
Legal	28,235	-	11,532	39,767
Miscellaneous/Contingency	2,611	7	-	2,618
PIF Revenue Payment to Town of Elizabeth	-	701,822	-	701,822
PIF Collection Fees	-	6,905	-	6,905
Debt Service:				
Bond Interest	-	959,222	-	959,222
Bond Issue Costs	-	1,214,246	-	1,214,246
Paying Agent Fees	-	2,500	-	2,500
Capital Outlay	-	-	192,911	192,911
Total Expenditures	<u>60,212</u>	<u>2,884,702</u>	<u>237,985</u>	<u>3,182,899</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	118,537	(1,123,030)	(57,853)	(1,062,346)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	28,965,000	-	28,965,000
Bond Premium	-	1,068,483	-	1,068,483
Payment to Refunding Escrow	-	(16,186,389)	-	(16,186,389)
Repay Developer Advance	-	-	(4,724,041)	(4,724,041)
Repay Developer Advance - Interest	-	-	(3,118,776)	(3,118,776)
Repay Developer Advance - Road Maintenance	(5,740)	-	-	(5,740)
Repay Rangeview Loan	(105,000)	-	-	(105,000)
Repay Rangeview Loan - Interest	(10,523)	-	-	(10,523)
Advance - Rangeview MD	4,000	-	-	4,000
Transfer (to) From Other Funds	30,695	(9,966,020)	9,935,325	-
Total Other Financing Sources (Uses)	<u>(86,568)</u>	<u>3,881,074</u>	<u>2,092,508</u>	<u>5,887,014</u>
NET CHANGE IN FUND BALANCES	31,969	2,758,044	2,034,655	4,824,668
Fund Balances (Deficits) - Beginning of Year	<u>(4,426)</u>	<u>281,276</u>	<u>-</u>	<u>276,850</u>
FUND BALANCES - END OF YEAR	<u>\$ 27,543</u>	<u>\$ 3,039,320</u>	<u>\$ 2,034,655</u>	<u>\$ 5,101,518</u>

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, 2021**

Net Changes in Fund Balances - Total Governmental Funds \$ 4,824,668

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.

Capital Outlay	237,985
Depreciation	(114,938)

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	(4,000)
Bonds Refunded and Paid - Series 2008	13,475,000
Bond Issuance - Series 2021	(28,965,000)
Bond Premium - Series 2021	(1,068,483)
Developer Advance Payment - Principal	4,829,041

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	2,231,876
Accrued Interest on Advances - Change in Liability	2,993,740
Amortization on Bond Premium - Series 2021	31,161
	31,161

Change in Net Position of Governmental Activities \$ (1,528,950)

**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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 16,378	\$ 16,378	\$ 16,378	\$ -
Specific Ownership Tax	2,600	3,000	2,940	(60)
Road Maintenance Fee	14,351	14,350	14,350	-
PILOT Revenue	17,174	17,174	17,174	-
Other Revenue	5,000	5,000	1,928	(3,072)
Reimbursed Expenditures	-	125,979	125,979	-
Total Revenues	<u>55,503</u>	<u>181,881</u>	<u>178,749</u>	<u>(3,132)</u>
EXPENDITURES				
Current:				
Accounting	11,000	11,000	11,000	-
Accounting - Non-Recurring	2,000	4,000	3,747	253
Audit	1,900	1,800	1,800	-
County Treasurer's Fee	491	491	491	-
District Management	10,000	7,000	6,908	92
Dues and Memberships	300	124	124	-
Engineering	5,000	5,000	-	5,000
Insurance and Bonds	4,800	4,072	4,072	-
Landscaping	2,000	1,500	1,224	276
Legal	12,000	30,000	28,235	1,765
Miscellaneous/Contingency	5,388	13,750	2,611	11,139
Total Expenditures	<u>54,879</u>	<u>78,737</u>	<u>60,212</u>	<u>18,525</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	624	103,144	118,537	15,393
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance - PILOT	(5,121)	-	-	-
Repay Developer Advance - Road Maintenance	-	(5,740)	(5,740)	-
Repay Rangeview Loan	-	(105,000)	(105,000)	-
Repay Rangeview Loan - Interest	-	(10,523)	(10,523)	-
Transfer (to) from Other Funds	-	30,695	30,695	-
Advance - Rangeview MD	4,597	4,000	4,000	-
Total Other Financing Sources (Uses)	<u>(524)</u>	<u>(86,568)</u>	<u>(86,568)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	100	16,576	31,969	15,393
Fund Balance (Deficits) - Beginning of Year	<u>1,600</u>	<u>(4,426)</u>	<u>(4,426)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,700</u>	<u>\$ 12,150</u>	<u>\$ 27,543</u>	<u>\$ 15,393</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, 2021**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	37,261
Accounts Receivable		16,269
Prepaid Expenses		270
Total Current Assets		53,800

NONCURRENT ASSETS

Capital Assets, Net of Accumulated Depreciation:		
Water Lines		1,779,158
Water Wells		533,628
Reservoir		686,161
Pump House		564,994
Total Capital Assets, Net		3,563,941
Total Assets	\$	3,617,741

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

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	30,158
Due to Other Governments		23,642
Total Current Liabilities		53,800

DEFERRED INFLOWS OF RESOURCES

Water Service Agreement		1,400,000
Total Deferred Inflows of Resources		1,400,000

NET POSITION

Net Investment in Capital Assets		3,563,941
Unrestricted		(1,400,000)
Total Net Position		2,163,941
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	3,617,741

See accompanying Notes to Basic Financial Statements.

**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, 2021**

OPERATING REVENUES

Water Revenue	\$ 226,231
Total Operating Revenues	<u>226,231</u>

OPERATING EXPENSES

Accounting	16,500
Accounting - Nonrecurring	4,653
Audit	2,700
District Management	10,362
Dues and Memberships	186
Legal	18,736
Insurance and Bonds	6,261
Utilities	53,070
Water Operations	49,669
Water Service Agreement Payment	110,373
Depreciation	<u>138,927</u>
Total Operating Expenses	<u>411,437</u>

OPERATING INCOME (LOSS)

(185,206)

CAPITAL CONTRIBUTIONS

Water Tap Fees	33,321
Other Income	12,958
Amortization of Water Service Agreement	<u>40,000</u>
Total Capital Contributions	<u>86,279</u>

CHANGE IN NET POSITION

(98,927)

Net Position - Beginning of Year

2,262,868

NET POSITION - END OF YEAR

\$ 2,163,941

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, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 229,952
Payments to Suppliers	<u>(297,582)</u>
Net Cash Used by Operating Activities	<u>(67,630)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Water Tap Fees	33,321
Other Revenue	<u>12,958</u>
Net Cash Provided by Capital and Related Financing Activities	<u>46,279</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(21,351)

Cash and Cash Equivalents - Beginning of Year

58,612

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 37,261

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

Operating Income (Loss)	\$ (185,206)
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	(33,934)
Net (Increase) Decrease in Accounts Receivable	3,721
Net (Increase) Decrease in Prepaid Insurance	153
Net Increase (Decrease) in Accounts Payable	<u>8,709</u>
Net Cash Used by Operating Activities	<u><u>\$ (67,630)</u></u>

NONCASH CAPITAL FINANCING ACTIVITIES

Water Service Agreement Amortization	<u><u>\$ 40,000</u></u>
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See accompanying Notes to Basic Financial Statements.

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

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, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

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

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, 2021.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

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, 2021**

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, 2021**

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. The agreement was amended to modify the original agreement on April 8, 2021 to separate the East PILOT Covenant and the West PILOT Covenant. The East PILOT Covenant imposes 12.000 mills and the West PILOT Covenant imposes 30.000 mills.

Amortization

In the government-wide financial statements, bond premiums and discounts 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 and discounts, 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

NOTE 3 CASH AND INVESTMENTS

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

Cash and Investments	\$ 69,647
Cash and Investments - Restricted	<u>5,035,358</u>
Total Cash and Investments	<u><u>\$ 5,105,005</u></u>

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

Deposits with Financial Institutions	\$ 156,933
Investments	<u>4,948,072</u>
Total Cash and Investments	<u><u>\$ 5,105,005</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, 2021, the District's cash deposits had a bank balance of \$157,293 and a carrying balance of \$156,933.

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, 2021**

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, 2021, 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	\$ 5,705
Morgan Stanley Institutional Liquidity Fund - Treasury Securities Portfolio	Weighted-Average Under 90 Days	4,942,367
Total		<u>\$ 4,948,072</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, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Morgan Stanley Institutional Liquidity Funds

The debt service money that is included in the trust accounts at United Missouri Bank is invested in the Morgan Stanley Institutional Liquidity Funds Treasury Securities Portfolio. This portfolio is a money market fund that is managed by Morgan Stanley Investment Management and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

The fund records its investment based on amortized costs. The District records its investment in the fund using the net asset value method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

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

	Balance at December 31, 2020	Additions	Transfers/ Retirements	Balance at December 31, 2021
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Water Rights	\$ 953,100	\$ -	\$ -	\$ 953,100
Construction in Process	-	237,985	-	237,985
Total Capital Assets, Not Being Depreciated	953,100	237,985	-	1,191,085
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	(264,827)	(29,425)	-	(294,252)
Streets	(1,154,422)	(85,513)	-	(1,239,935)
Total Accumulated Depreciation	(1,419,249)	(114,938)	-	(1,534,187)
Total Capital Assets, Being Depreciated, Net	1,026,639	(114,938)	-	911,701
Governmental Activities - Capital Assets, Net	<u>\$ 1,979,739</u>	<u>\$ 123,047</u>	<u>\$ -</u>	<u>\$ 2,102,786</u>

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

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at December 31, 2020	Transfers/ Additions	Retirements	Balance at December 31, 2021
<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	(611,074)	(48,781)	-	(659,855)
Water Wells	(230,296)	(15,590)	-	(245,886)
Reservoir	(447,355)	(33,338)	-	(480,693)
Pump House	(630,332)	(41,218)	-	(671,550)
Water Meter System	(39,159)	-	-	(39,159)
Total Accumulated Depreciation	(1,958,216)	(138,927)	-	(2,097,143)
Total Capital Assets, Being Depreciated, Net	3,702,868	(138,927)	-	3,563,941
Business-Type Activities - Capital Assets, Net	<u>\$ 3,702,868</u>	<u>\$ (138,927)</u>	<u>\$ -</u>	<u>\$ 3,563,941</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, 2021**

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, 2021:

	Balance at December 31, 2020	Additions	Retirements/ Adjustments	Balance at December 31, 2021	Due within One Year
Bonds Payable					
Series 2008 PIF Revenue Bonds	\$ 13,475,000	\$ -	\$ 13,475,000	\$ -	\$ -
Series 2021A Senior Bonds	-	25,150,000	-	25,150,000	-
Series 2021B Subordinate Bonds	-	3,815,000	-	3,815,000	-
Bond Premium, Series 2021	-	1,068,483	31,161	1,037,322	50,760
Subtotal of Bonds Payable	13,475,000	30,033,483	13,506,161	30,002,322	50,760
Other Debts					
Developer Advances	5,277,945	-	4,724,041	553,904	-
Accrued Interest on Developer Advances	3,401,643	139,042	3,124,516	416,169	-
Rangeview MD Advances Accrued Interest on Rangeview MD Advances	101,000	4,000	105,000	-	-
	8,266	2,257	10,523	-	-
Subtotal of Other Debts	8,788,854	145,299	7,964,080	970,073	-
Total Long-Term Obligations	<u>\$ 22,263,854</u>	<u>\$ 30,178,782</u>	<u>\$ 21,470,241</u>	<u>\$ 30,972,395</u>	<u>\$ 50,760</u>

The details of the District's general obligation bonds outstanding are as follows:

Special Revenue and Tax Supported Refunding and Improvement Senior Bonds, Series 2021A ("Senior Bonds"), and Special Revenue and Tax Supported Subordinate Bonds, Series 2021B ("Subordinate Bonds") ("Bonds")

On April 20, 2021, the District refunded \$13,475,000 of Public Improvement Fee Revenue Bonds, Series 2008 with an interest rate of 7.50% by the issuance of \$25,150,000 of Special Revenue and Tax Supported Refunding and Improvement Senior Bonds, Series 2021A, and \$3,815,000 of Special Revenue and Tax Supported Subordinate Bonds, Series 2021B with interest rates from 3.750% to 5.000%. The proceeds from the sale of the Bonds were used for the purposes of (i) refunding the District's outstanding Public Improvement Fee Revenue Bonds, Series 2008A, (ii) finance or reimburse the costs of public improvements, (iii) fund the Reserve Fund, (iv) fund capitalized interest on the Senior Bonds, and (v) pay the cost of issuing the Bonds. The District refunded Series 2008 bonds to obtain new monies and extend the financing period another 19 years. Therefore, the present value and economic savings calculations were not performed. Restrictions on the monies restricted for interest payments pertaining to the defeased bonds were removed under the new refunding.

The Senior Bonds were issued as three term bonds that bear interest at rates ranging from 3.750% to 5.000% per annum, payable semiannually on June 1 and December 1, beginning June 1, 2021. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2024. The Senior Bonds have a final maturity of December 1, 2051.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Special Revenue and Tax Supported Refunding and Improvement Senior Bonds, Series 2021A (“Senior Bonds”), and Special Revenue and Tax Supported Subordinate Bonds, Series 2021B (“Subordinate Bonds”) (“Bonds”) (Continued)

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall accrue and compound on each interest payment date at the rate then borne by such Senior Bond.

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue which means the following: (a) Senior Property Tax Revenues; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; (c) the PIF (Public Improvement Fee) Revenues; (d) the PILOT (Payment in Lieu of Taxes) Revenues; and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The Subordinate Bonds bear interest at the rate of 8.000% per annum and are payable annually on December 15, beginning December 15, 2021 from, and to the extent of, Subordinate Pledged Revenue available, if any, pursuant to a mandatory redemption. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds mature on December 15, 2051. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date.

In the event that any amount of principal or interest on the Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenues available therefor on December 15, 2060, the Subordinate Bonds shall be deemed discharged.

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue from the following sources, net of any costs of collection and any property tax refunds or abatement authorized by or on behalf of the County: (a) the Subordinate Property Tax Revenues; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (c) the PIF Revenues and PILOT Revenues remaining after deduction of all amounts applied to the payment of Senior Bonds; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Subordinate Property Tax Revenues means all moneys derived from imposition by the District of the Subordinate Required Mill Levy, net of the costs of collection of the County and any tax refunds or abatements authorized by or on behalf of the County.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Special Revenue and Tax Supported Refunding and Improvement Senior Bonds, Series 2021A (“Senior Bonds”), and Special Revenue and Tax Supported Subordinate Bonds, Series 2021B (“Subordinate Bonds”) (“Bonds”) (Continued)

The Senior Bonds are further secured by capitalized interest which was funded from proceeds of the Senior Bonds, by the Reserve Fund which was funded from proceeds of the Senior Bonds in the amount of the Reserve Requirement of \$2,090,947, and by amounts in the Surplus Fund (if any) which was not funded from proceeds of the Senior Bonds. The balance of the Reserve Fund at December 31, 2021 is \$2,091,067.

Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$2,515,000. Subject to the receipt of sufficient Senior Pledged Revenue, the Surplus Fund is to be maintained for so long as any Senior Bonds are outstanding. The balance in the Surplus Fund at December 31, 2021 is \$687,451.

The outstanding principal and interest of the Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 1,238,000	\$ 1,238,000
2023	-	1,238,000	1,238,000
2024	95,000	1,238,000	1,333,000
2025	195,000	1,234,438	1,429,438
2026	245,000	1,227,125	1,472,125
2027-2031	1,980,000	5,955,814	7,935,814
2032-2036	3,560,000	5,339,250	8,899,250
2037-2041	5,565,000	4,257,500	9,822,500
2042-2046	8,085,000	2,625,250	10,710,250
2047-2051	5,425,000	946,250	6,371,250
Total	<u>\$ 25,150,000</u>	<u>\$ 25,299,627</u>	<u>\$ 50,449,627</u>

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

Advance and Reimbursement Agreements

On August 30, 2016, the District and Elbert and Highway 86 Metro District (MD), collectively the Districts, entered into an Advance and Reimbursement Agreement with Wild Pointe Investment Properties, LLC (Developer/Property Owner) and Elbert and Highway 86, LLC, which is a part owner of the Property Owner and a prior owner of the property in the District (the Advance Agreement). The Advance Agreement acknowledges the Wild Pointe Advance Agreement (described below), the Shops East Advance Agreement (described below) and the Assignment Agreement (described below), which contemplated that the Districts would enter into separate advance and reimbursement agreements with the Property Owner detailing the terms and conditions upon which the Property Owner may provide advances for the costs of public improvements as well as operation and maintenance expenses in the Districts.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements (Continued)

Pursuant to the Advance Agreement, upon application for advance by the Districts, and subject to review and approval by the Property Owner, the Property Owner may provide advances for reimbursement costs to the Districts, on terms as may be mutually agreed upon by the Districts and the Property Owner, for use by the Districts for any purposes allowed to them under applicable law. Upon the request for an advance, the requesting District shall provide substantiation of the need for such advance, which shall not exceed the total aggregate amount of \$100,000 in any given fiscal year without prior written authorization of the Property Owner and the Districts in the form of an amendment to the Advance Agreement.

The District acknowledges that it has received advances from the Property Owner, or its predecessors-in-interest, prior to execution of the Advance Agreement. The District and the Property Owner acknowledge the obligation of the District to repay these prior advances. The Advance Agreement construes advances to mean both existing advances and advances that may be provided by the Property Owner to the Districts on or after the date of the Advance Agreement. Pursuant to the Advance Agreement, the Districts shall reimburse the Property Owner for the outstanding principal amount of advances made pursuant to the Advance Agreement, which shall accrue interest at a rate of 7% per annum. The obligation of the Districts to repay the advances is a joint and several obligation of the Districts, regardless of whether an advance was or is made to only one of the Districts. Furthermore, interest shall accrue as of the date each advance is made to a District; provided, however, that no interest shall begin to accrue on any advance made to a District prior to November 26, 2002, the date upon which the Districts were formed.

On November 18, 2019, the District entered into an Advance and Reimbursement Agreement for Operations and Maintenance with the Property Owner (the Operations Agreement). Pursuant to the Operations Agreement, the District and the Property Owner acknowledge that advances provided by the Property Owner to the District are consistent with the public objectives and purpose of the District. The purpose of the Operations Agreement is to establish the terms and conditions pursuant to which the Property Owner shall make advances to the District and the District shall make reimbursements to the Property Owner for such advances. The Operations Agreement acknowledges that the Districts have received other advances from the Property Owner, or its predecessors-in-interest, prior to execution of the Operations Agreement. The Operations Agreement states that the obligation for repayment of such prior advances is the subject of a separate agreement between the Districts and the Property Owner and are therefore not subject to the Operations Agreement.

Pursuant to the Operations Agreement, the District shall reimburse the Property Owner for operations advances, together with interest, at the rate of 7% per annum on such sums advanced. Interest shall accrue as of the date each advance is made to the District. The District shall make payment 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.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements (Continued)

The Operations Agreement shall continue until the first to occur of the following: (a) full defeasance of the Bonds; or (b) the Property Owner no longer owns any property within the boundaries of the District, or any property subject to a PILOT, or any property subject to the PIF Covenants. The Operations Agreement states that the Operations Agreement shall not become effective unless the District, prior to March 1, 2020, issues the Bonds. On April 28, 2021, the District and the Property Owner entered into a First Amendment to Advance and Reimbursement Agreement for Operations and Maintenance, which revised this provision to state that the Operations Agreement shall not become effective unless the District, prior to April 30, 2021, issues the Bonds.

Wild Pointe Advance Agreement. On March 4, 2004, the Districts and Wild Pointe Partners, Inc., a Colorado corporation (Wild Pointe Partners), executed an Advance and Reimbursement Agreement (the Wild Pointe Advance Agreement), whereby the Districts agreed to reimburse Wild Pointe Partners for any moneys advanced to the Districts by Wild Pointe Partners for construction, maintenance and operation costs, including, but not limited to, legal, accounting, design, engineering and management costs relating thereto, associated with the provision of certain public improvements, facilities and services (the Wild Pointe Advances). The Districts agreed to reimburse Wild Pointe Partners for the Wild Pointe Advances together with interest at the rate of 7% per annum. The Districts are required to make payment 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 Districts. This reimbursement obligation is subordinate to any bonded indebtedness of the Districts, including the Bonds. Pursuant to the Assignment Agreement (described below), Wild Pointe Partners' reimbursement rights under the Wild Pointe Advance Agreement have been assigned to the Property Owner.

Shops East Advance Agreement. On July 26, 2007, the District and Shops East, LLC (Shops East), a prior owner of property in the District, executed an Advance and Reimbursement Agreement (the Shops East Advance Agreement) whereby the District agreed to reimburse Shops East for any moneys advanced to the District by Shops East for construction, maintenance and operation costs, including, but not limited to, legal, accounting, design, engineering and management costs relating thereto, associated with the provision of certain public improvements, facilities and services.

The District agreed to reimburse Shops East for advances made by Shops East together with interest at the rate of 7% per annum. Pursuant to the Shops East Advance Agreement, the District is required to make payment 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, including the Bonds. Pursuant to the Assignment Agreement (described below), Shops East's reimbursement rights under the Shops East Advance Agreement have been assigned to the Property Owner.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Advance and Reimbursement Agreements (Continued)

Assignment Agreement. On April 20, 2012, the Districts, Wild Pointe Partners, Shops East, and the Property Owner entered into an Agreement Regarding Assignments of Payments and of Release of the Districts (the Assignment Agreement). The Assignment Agreement acknowledges that each of the Districts have entered into the Wild Pointe Advance Agreement, and that the District has also entered into the Shops East Advance Agreement, in order to promote development within the boundaries of each of the Districts, which benefit the Districts by increasing their assessed valuation and/or PIF Revenues and therefore their ability to acquire, construct and maintain public improvements. Furthermore, pursuant to the Assignment Agreement, Shops East and Wild Pointe Partners desire to assign their rights to payment from the Districts under the terms of the Shops East Advance Agreement and Wild Pointe Advance Agreements to the Property Owner. In doing so, interest at the rate of 7% per annum shall continue to accrue on the principal portion of the amounts assigned to the Property Owner.

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, 2021, total Developer advances issued and payable was \$553,904 and accrued interest payable was \$416,169.

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, 2021, total advances issued and payable to the Provider was \$-0- and accrued interest payable was \$-0-.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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 voter authorized an additional indebtedness totaling \$3,976,456,852. As of December 31, 2021, 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	Authorization Used by the Series 2021 Bonds	Remaining Authorization
Street Improvements	\$ 30,000,000	\$ -	\$ (4,139,017)	\$ (6,325,065)	\$ 19,535,918
Water System	30,000,000	907,364,213	(5,119,761)	(3,034,986)	929,209,466
Sanitary Sewer/Drainage	30,000,000	50,000,000	(5,741,222)	(780,197)	73,478,581
Operations and Maintenance	30,000,000	1,006,364,213	-	-	1,036,364,213
Debt Refunding	30,000,000	1,006,364,213	-	(18,824,752)	1,017,539,461
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>\$ (28,965,000)</u>	<u>\$ 4,112,491,852</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, 2021**

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, 2021, the District had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 2,102,786	\$ 3,563,941
Noncurrent Portion of Long-Term Obligations	(8,643,669)	-
Unspent Bond Proceeds	1,188,597	
Net Investment in Capital Assets	<u>\$ (5,352,286)</u>	<u>\$ 3,563,941</u>

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, 2021, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergency Reserves	\$ 1,600
Debt Service	832,452
Total Restricted Net Position	<u>\$ 834,052</u>

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

Wild Pointe Partners, Inc., Shops East, LLC, Shops at Wild Pointe, Elbert and Hwy 86 LLC, RLF Wild Pointe Properties, LLC, and Wild Pointe Investment Properties, LLC are related parties. 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 Developer/Property Owner and Provider and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer/Property Owner and Provider.

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

NOTE 8 AGREEMENTS

Town of Elizabeth

On January 10, 2006, and as amended on March 28, 2006, February 13, 2007, and October 23, 2018, the District entered into an intergovernmental agreement with the Town of Elizabeth (Town) and with Elbert and Hwy 86, LLC (Elbert), as predecessor to the Developer, regarding sanitary sewer service to the commercial property within the District that is owned by the Developer.

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 2021, the District paid \$701,822 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, 2021**

NOTE 8 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, 2021**

NOTE 8 AGREEMENTS (CONTINUED)

Traffic Signals Agreement

On August 24, 2021, the District and Elbert & Highway 86 Metropolitan District (Residential District) entered into an agreement related to the traffic signals. Pursuant to the agreement, both parties agreed that the Residential District shall pay the District \$105,000 by no later than December 1, 2021 and the Residential District shall convey to the District, by no later than December 1, 2021, the real property interests which have an appraised value of \$75,000. The District will be responsible for the expenses of the traffic signals. This agreement does not alter or otherwise amend any current agreements with the Developer. The District received \$105,000 from the Residential District on September 10, 2021.

Buy and Sell Real Estate Contract

On August 24, 2021, the District and E-86 J.V., LLC (Buyer) entered into a contract to buy and sell real estate. Pursuant to the contract, the Buyer shall pay the District \$75,000 for certain easements and right-of-way interests. As of December 31, 2021, the District received \$35,318 from the Buyer and recorded \$39,682 as a receivable (payment deposited on January 14, 2022).

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.

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

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.

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 COMMITMENTS AND CONTINGENCIES

Construction Commitments

As of December 31, 2021, the District had construction related contract commitments as follows:

	<u>Retainage</u>	<u>Contract Balance</u>
Fiore & Sons, Inc.	<u>\$ 7,157</u>	<u>\$ 1,521,479</u>
	<u>\$ 7,157</u>	<u>\$ 1,521,479</u>

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, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ 1,200	\$ 1,200	\$ 214	\$ (986)
Other Revenue	50,000	50,000	-	(50,000)
PIF Revenue	1,960,000	1,762,000	1,761,458	(542)
Total Revenues	<u>2,011,200</u>	<u>1,813,200</u>	<u>1,761,672</u>	<u>(51,528)</u>
EXPENDITURES				
Bond Interest	1,175,000	959,222	959,222	-
Bond Issue Costs	-	1,214,246	1,214,246	-
Paying Agent Fees	2,500	2,500	2,500	-
PIF Collection Fees	-	7,000	6,905	95
PIF Revenue Payment to Town of Elizabeth	784,000	702,000	701,822	178
Miscellaneous/Contingency	50,000	63,395	7	63,388
Total Expenditures	<u>2,011,500</u>	<u>2,948,363</u>	<u>2,884,702</u>	<u>63,661</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(300)	(1,135,163)	(1,123,030)	12,133
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	28,965,000	28,965,000	-
Bond Premium	-	1,068,483	1,068,483	-
Payment to Refunding Escrow	-	(16,186,389)	(16,186,389)	-
Transfer from Other Funds	-	199,228	199,228	-
Transfer to Other Funds	-	(10,165,248)	(10,165,248)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,881,074</u>	<u>3,881,074</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(300)	2,745,911	2,758,044	12,133
Fund Balance - Beginning of Year	<u>286,425</u>	<u>281,276</u>	<u>281,276</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 286,125</u>	<u>\$ 3,027,187</u>	<u>\$ 3,039,320</u>	<u>\$ 12,133</u>

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Contributions	\$ -	\$ 180,000	\$ 180,000	\$ -
Net Investment Income	-	200	132	(68)
Total Revenues	-	180,200	180,132	(68)
EXPENDITURES				
Accounting - Non-Recurring	-	2,000	1,250	750
Capital - Traffic Signal	-	10,000	1,363	8,637
Capital Outlay	-	300,000	191,548	108,452
Engineering	-	33,000	32,292	708
Legal	-	15,000	11,532	3,468
Miscellaneous/Contingency	-	92,260	-	92,260
Total Expenditures	-	452,260	237,985	214,275
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(272,060)	(57,853)	214,207
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance	-	(4,724,041)	(4,724,041)	-
Repay Developer Advance - Interest	-	(3,118,776)	(3,118,776)	-
Transfer from Other Funds	-	10,140,248	10,140,248	-
Transfer to Other Funds	-	(204,923)	(204,923)	-
Total Other Financing Sources (Uses)	-	2,092,508	2,092,508	-
NET CHANGE IN FUND BALANCE	-	1,820,448	2,034,655	214,207
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 1,820,448	\$ 2,034,655	\$ 214,207

**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, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Water Tap Fees	\$ 81,500	\$ 33,321	\$ (48,179)
Water Revenue	280,000	226,231	(53,769)
Other Income	-	12,958	12,958
Total Revenues	361,500	272,510	(88,990)
EXPENDITURES			
Current:			
Accounting	16,500	16,500	-
Accounting - Non-Recurring	5,000	4,653	347
Audit	2,850	2,700	150
District Management	6,000	10,362	(4,362)
Dues and Memberships	500	186	314
Insurance and Bonds	7,200	6,261	939
Legal	10,000	18,736	(8,736)
Miscellaneous/Contingency	1,000	-	1,000
Utilities	52,000	53,070	(1,070)
Water Operations	55,000	49,669	5,331
Water Service Agreement Payment	205,450	110,373	95,077
Total Expenditures	361,500	272,510	88,990
NET CHANGE IN FUNDS AVAILABLE	-	-	-
Funds Available - Beginning of Year	-	-	-
FUNDS AVAILABLE - END OF YEAR	\$ -	\$ -	\$ -
Funds Available are Defined as Follows:			
Current Assets		\$ 53,800	
Current Liabilities		(53,800)	
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, 2021**

	Actual
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Changes in Net Position:	
Revenues (Budgetary Basis)	\$ 272,510
Amortization of Water Service Agreement	40,000
Total Revenue per Statement of Revenues, Expenses, and Changes in Net Position	312,510
Expenditures (Budgetary Basis):	272,510
Depreciation	138,927
Total Expenses per Statement of Revenues, Expenses, and Changes in Net Position	411,437
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, 2021**

\$25,150,000
Special Revenue and Tax Supported Refunding
and Improvement Senior Bonds dated April 20, 2021
Series 2021A
Interest Rate of 3.75 to 5.00%
Payable June 1 and December 1
Principal Payable December 1

<u>Year Ended December 31,</u>	Governmental Activities		
	Bonded Debt		
	Principal	Interest	Total
2022	\$ -	\$ 1,238,000	\$ 1,238,000
2023	-	1,238,000	1,238,000
2024	95,000	1,238,000	1,333,000
2025	195,000	1,234,438	1,429,438
2026	245,000	1,227,125	1,472,125
2027	290,000	1,217,938	1,507,938
2028	340,000	1,207,063	1,547,063
2029	395,000	1,194,313	1,589,313
2030	450,000	1,179,500	1,629,500
2031	505,000	1,157,000	1,662,000
2032	570,000	1,131,750	1,701,750
2033	635,000	1,103,250	1,738,250
2034	710,000	1,071,500	1,781,500
2035	785,000	1,036,000	1,821,000
2036	860,000	996,750	1,856,750
2037	935,000	953,750	1,888,750
2038	1,020,000	907,000	1,927,000
2039	1,110,000	856,000	1,966,000
2040	1,205,000	800,500	2,005,500
2041	1,295,000	740,250	2,035,250
2042	1,400,000	675,500	2,075,500
2043	1,500,000	605,500	2,105,500
2044	1,610,000	530,500	2,140,500
2045	1,725,000	450,000	2,175,000
2046	1,850,000	363,750	2,213,750
2047	1,340,000	271,250	1,611,250
2048	455,000	204,250	659,250
2049	480,000	181,500	661,500
2050	515,000	157,500	672,500
2051	2,635,000	131,750	2,766,750
Total	\$ 25,150,000	\$ 25,299,627	\$ 50,449,627

**ELBERT AND HIGHWAY 86 COMMERCIAL METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2021**

Year Ended <u>December 31,</u>	Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
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
2021	3,275,580	5.000	0.000	16,378	16,378	100.00
Estimated for the Year Ending December 31, 2022	\$ 3,257,770	0.000	5.000	\$ 16,289		