

**ERIE HIGHLANDS METROPOLITAN  
DISTRICT NO. 1  
Weld County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Erie Highlands Metropolitan District No. 1  
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Erie Highlands Metropolitan District No. 1 as of and for the year December 31, 2019, 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.

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Erie Highlands Metropolitan District No. 1, as of December 31, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Erie Highlands Metropolitan District No. 1's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the Debt Service Fund (the Supplementary Information) and the Schedule of Debt Service Requirements to Maturity and the Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information 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.

*Dassio & Associates, P.C.*

July 15, 2020

## **BASIC FINANCIAL STATEMENTS**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 831
Cash and Investments - Restricted	1,411,838
Receivable from County Treasurer	4,155
Property Taxes Receivable	932,367
Capital Assets Not Being Depreciated	183,458
Capital Assets, Net	185,906
Total Assets	2,718,555
<b>LIABILITIES</b>	
Accounts Payable	750
Due to Other Districts	1,268
Accrued Interest Payable	37,088
Noncurrent Liabilities:	
Due Within One Year	75,000
Due in More Than One Year	9,582,164
Total Liabilities	9,696,270
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	932,367
Total Deferred Inflows of Resources	932,367
<b>NET POSITION</b>	
Net Investment in Capital Assets	16,480
Restricted for:	
Debt Service	719,218
Unrestricted	(8,645,780)
Total Net Position	\$ (7,910,082)

See accompanying Notes to Basic Financial Statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Governmental Activities:					
General Government	\$ 242,946	\$ -	\$ 17,750	\$ -	\$ (225,196)
Interest and Related Costs on Long-Term Debt	582,943	-	-	37,500	(545,443)
	<u>\$ 825,889</u>	<u>\$ -</u>	<u>\$ 17,750</u>	<u>\$ 37,500</u>	<u>(770,639)</u>
<b>GENERAL REVENUES</b>					
Property Taxes					724,871
Specific Ownership Taxes					49,030
Net Investment Income					29,785
Other Revenue					82
Total General Revenues					<u>803,768</u>
<b>CHANGE IN NET POSITION</b>					33,129
Net Position - Beginning of Year					<u>(7,943,211)</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ (7,910,082)</u>

See accompanying Notes to Basic Financial Statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 831	\$ -	\$ 831
Cash and Investments - Restricted	-	1,411,838	1,411,838
Receivable from County Treasurer	1,187	2,968	4,155
Property Taxes Receivable	266,389	665,978	932,367
 Total Assets	 \$ 268,407	 \$ 2,080,784	 \$ 2,349,191
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 750	\$ -	\$ 750
Due to District No. 4	1,268	-	1,268
Total Liabilities	2,018	-	2,018
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax	266,389	665,978	932,367
Total Deferred Inflows of Resources	266,389	665,978	932,367
 <b>FUND BALANCES</b>			
Restricted for:			
Debt Service	-	1,414,806	1,414,806
Total Fund Balances	-	1,414,806	1,414,806
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 268,407	 \$ 2,080,784	

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

Capital assets are reported as assets on the statement of net position but are recorded as expenditures in the funds.

Capital Assets, Net

369,364

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

Bonds Payable

(9,156,000)

Accrued Interest on 2015B Subordinate Bonds

(501,164)

Bond Interest Payable

(37,088)

Net Position of Governmental Activities

\$ (7,910,082)

See accompanying Notes to Basic Financial Statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 207,107	\$ 517,764	\$ 724,871
Specific Ownership Taxes	14,009	35,021	49,030
System Development Fees	-	37,500	37,500
Net Investment Income	1,207	28,578	29,785
Other Revenue	82	-	82
Transfer from District No. 4	17,750	-	17,750
Total Revenues	240,155	618,863	859,018
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	3,107	7,768	10,875
Bond Interest	-	445,050	445,050
Transfer to District No. 4	216,377	-	216,377
Total Expenditures	219,484	452,818	672,302
<b>NET CHANGE IN FUND BALANCES</b>	20,671	166,045	186,716
Fund Balances - Beginning of Year	(20,671)	1,248,761	1,228,090
<b>FUND BALANCES - END OF YEAR</b>	\$ -	\$ 1,414,806	\$ 1,414,806

See accompanying Notes to Basic Financial Statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ 186,716
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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	(15,694)
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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	<u>(137,893)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 33,129</u></u>
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**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 208,075	\$ 207,107	\$ (968)
Specific Ownership Taxes	12,485	14,009	1,524
Net Investment Income	400	1,207	807
Other Revenue	9,403	82	(9,321)
Transfer from District No. 4	-	17,750	17,750
Total Revenues	<u>230,363</u>	<u>240,155</u>	<u>9,792</u>
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	3,121	3,107	14
Contingency	9,403	-	9,403
Transfers to District No. 4	<u>227,476</u>	<u>216,377</u>	<u>11,099</u>
Total Expenditures	<u>240,000</u>	<u>219,484</u>	<u>20,516</u>
<b>NET CHANGE IN FUND BALANCES</b>	(9,637)	20,671	30,308
Fund Balance - Beginning of Year	<u>9,637</u>	<u>(20,671)</u>	<u>(30,308)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Erie Highlands Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by court order and decree and recorded with the Weld County Clerk and Recorder on December 2, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located entirely within the Town of Erie (Town), in Weld County (County), Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment and financing of water, sanitation, solid waste disposal, streets, safety, parks and recreation, transportation, fire protection, mosquito control, television relay and translation, and services within and without its boundaries.

The District was organized in conjunction with Erie Highlands Metropolitan District Nos. 2, 3, 4, and 5 (together with the District, and District Nos. 2, 3, 4, and 5, the Districts) and operates under a Consolidated Service Plan approved by the Town on September 24, 2013. The Districts entered into an Intergovernmental Agreement Concerning District Operations (the District IGA) on September 10, 2018, which set forth the respective roles, responsibilities, and obligations of each district with respect to the provision of administrative services, ownership, operation and maintenance of public improvements serving the property within the Districts. The District IGA acknowledges that the District previously funded certain improvements with bonds issued in 2015. It additionally acknowledges that District No. 2 funded certain public improvements with bonds issued in 2018. The Districts further agree to assist each other with offsetting the costs of public improvements serving the Districts pursuant to the Service Plan.

The District IGA provides that District No. 1 will own and operate any public improvements not dedicated to the Town or another governmental entity that were financed with its previous bond issue, and that District No. 4 will own and operate the remaining such improvements. The Districts engaged District No. 4 as the operator of the District No. 1-Owned Improvements and the District No. 4-Owned Improvements. The Districts not owning and operating any public improvements agree to provide funds for the operation of such improvements. District No. 4 agrees to act as the district responsible for overall administrative services, and the remaining districts agree to compensate District No. 4 for those services.

Prior to execution of the District IGA, the District and District No. 4 had an informal agreement whereby the District managed its own administrative, operation and maintenance services and District No. 4 helped fund such costs. During 2019, the District received \$17,750 from District No. 4.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)**

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the other Erie Highlands Metropolitan Districts and the Town of Erie.

The District has no employees and contracts for all of its management and professional services.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, and facility fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

**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.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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 total cash.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 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 revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

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

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

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Capital Assets (Continued)**

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

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of 10 to 20 years.

**Facility Fees**

Facility fees consist of the fees imposed by the District pursuant to a resolution adopted by the District in an amount equal to \$1,500 per single-family residential unit. The Facility Fees are payable on the date of issuance of a building permit for the related residential unit.

**Deferred Inflows of Resources**

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

**Fund Equity**

**Net Position**

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

**Fund Balance**

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

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

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

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Fund Equity (Continued)**

**Fund Balance (Continued)**

*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.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 831
Cash and Investments - Restricted	1,411,838
Total Cash and Investments	\$ 1,412,669

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 750
Investments	1,411,919
Total Cash and Investments	\$ 1,412,669

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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, 2019, the District's cash deposits had a bank balance of \$750 and a carrying balance of \$750.

**Investments**

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

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

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

**Investments (Continued)**

As of December 31, 2019, 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	<u>\$ 1,411,919</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.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Landscape Improvements	\$ 183,458	\$ -	\$ -	\$ 183,458
Total Capital Assets, Not Being Depreciated	183,458	-	-	183,458
Capital Assets, Being Depreciated:				
Entryways	11,608	-	-	11,608
Parks and Recreation	237,072	-	-	237,072
Total Capital Assets, Being Depreciated	248,680	-	-	248,680
Less Accumulated Depreciation For:				
Entryways	1,741	581	-	2,322
Parks and Recreation	45,339	15,113	-	60,452
Total Accumulated Depreciation	47,080	15,694	-	62,774
Total Capital Assets, Being Depreciated, Net	201,600	(15,694)	-	185,906
Capital Assets, Net	<u>\$ 385,058</u>	<u>\$ (15,694)</u>	<u>\$ -</u>	<u>\$ 369,364</u>

During 2018, a significant portion of the capital assets constructed by the District were conveyed to District No. 4. The costs of all capital assets transferred to District No. 4 were removed from the District's financial records. Such capital assets were funded with a portion of the proceeds of the District No. 2 bonds and constitute District No. 4-Owned Improvements, as permitted by the District IGA described in Note 1.

Depreciation expense was charged to the general government function of the District in the amount of \$15,694 for the year ended December 31, 2019.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019:

	Balance - December 31, 2018	Additions	Reductions	Compounding of Unpaid Interest	Balance - December 31, 2019	Due Within One Year
General Obligation Limited Tax Bonds - Series 2015A	\$ 7,740,000	\$ -	\$ -	\$ -	\$ 7,740,000	\$ 75,000
Subordinate General Obligation Limited Tax Bonds - Series 2015B:						
Principal	1,416,000	-	-	-	1,416,000	-
Interest	363,271	109,740	-	28,153	501,164	-
Total	<u>\$ 9,519,271</u>	<u>\$ 109,740</u>	<u>\$ -</u>	<u>\$ 28,153</u>	<u>\$ 9,657,164</u>	<u>\$ 75,000</u>

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

**General Obligation Bonds**

**\$7,740,000 General Obligation Limited Tax Bonds, Series 2015A, dated December 10, 2015**, (the Senior Bonds and, together with the Subordinate bonds, defined below, the Bonds) with interest of 5.75%, payable semi-annually on June 1 and December 1, beginning on June 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2020. The Bonds mature on December 1, 2045, and are subject to redemption prior to maturity, at the option of the District, on December 1, 2020, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<b>Date of Redemption</b>	<b>Redemption Premium</b>
December 1, 2020, to November 30, 2021	3.00%
December 1, 2021, to November 30, 2022	2.00%
December 1, 2022, to November 30, 2023	1.00%
December 1, 2023, and thereafter	0.00%

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, which includes property taxes derived from the Senior Required Mill Levy, net of the cost of collection, Specific Ownership Taxes attributable to the Senior Required Mill Levy, Facilities Fees, and any other legally available moneys which the District determines to transfer to the Trustee for application as Senior Pledged Revenue.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**General Obligation Bonds (Continued)**

The Senior Indenture requires that a Senior Required Mill Levy be imposed in an amount sufficient to pay the principal of and interest on the Senior Bonds, but not in excess of 50 mills (subject to adjustment for changes occurring after the date of issuance of the Bonds in the method of calculating assessed valuation) and, for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 50 mills (subject to adjustment) or such lesser mill levy which, when combined with other Senior Pledged Revenue legally available in the Senior Bond Fund, will permit the District to fully fund the Senior Bond Fund for the next Senior Bond Year and pay the Senior Bonds as they come due, to fund the Senior Reserve Fund up to the Required Reserve, and to fund the Surplus Fund up to the maximum amount.

The Senior Bonds are also secured by amounts held in the Senior Reserve Fund, which was funded upon issuance of the Senior Bonds in the amount of the Required Reserve equal to \$658,500, and amounts accumulated in the Surplus Fund, if any.

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 \$774,000. The Surplus Fund shall be maintained as long as the Senior Bonds remain outstanding. When no Senior Bonds are outstanding, any monies in the Surplus Fund shall be remitted to the District for application to any lawful purpose.

**\$1,416,000 Subordinate General Obligation Limited Tax Bonds, Series 2015B, dated December 10, 2015**, (the Subordinate Bonds) with interest of 7.75%, payable annually from Subordinate Pledged Revenue on December 15, beginning on December 15, 2016. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds are also subject to redemption prior to maturity, at the option of the District, on December 15, 2020, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<b>Date of Redemption</b>	<b>Redemption Premium</b>
December 15, 2020, to December 14, 2021	3.00%
December 15, 2021, to December 14, 2022	2.00%
December 15, 2022, to December 14, 2023	1.00%
December 15, 2023, and thereafter	0.00%

The Subordinate Bonds are secured by and payable solely from Subordinate Pledged Revenue, which includes property taxes derived from the Subordinate Required Mill Levy net of the cost of collection and allowance for uncollectible accounts, Specific Ownership Taxes attributable to the Subordinate Required Mill Levy, Facilities Fees remaining after deduction of any amounts applied to the payment of the Senior Bonds, and any other legally available monies which the District determines to transfer to the Trustee for application as Subordinate Pledged Revenue.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**General Obligation Bonds (Continued)**

The Subordinate Indenture requires that a Subordinate Required Mill Levy be imposed in an amount equal to 50 mills (subject to adjustment) less the amount of the Senior Bond Mill Levy. As a result, the Subordinate Required Mill Levy will be zero until such time as the Senior Required Mill Levy is less than 50 mills.

The District's long-term obligations on the Senior Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 75,000	\$ 445,050	\$ 520,050
2021	80,000	440,738	520,738
2022	95,000	436,138	531,138
2023	100,000	430,675	530,675
2024-2028	690,000	2,052,752	2,742,752
2029-2033	1,065,000	1,813,839	2,878,839
2034-2038	1,580,000	1,451,301	3,031,301
2039-2043	2,255,000	924,602	3,179,602
2044-2045	1,800,000	175,080	1,975,080
Total	<u>\$ 7,740,000</u>	<u>\$ 8,170,175</u>	<u>\$ 15,910,175</u>

The amounts of principal and interest payments to be made in future years on the Subordinate Bonds will depend on pledged revenue collected and cannot be predicted with certainty.

**Authorized Debt**

On November 5, 2013, District voters approved debt authorization in the amount of \$540,000,000 for the construction of capital improvements. The voters also authorized debt of \$60,000,000 for the cost of operating and maintaining the District's systems, \$60,000,000 for management agreements, and \$60,000,000 for mortgages.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Authorized Debt (Continued)**

The District had authorized but unissued debt at December 31, 2019, for the following detailed purposes:

	Authorized November 5, 2013 Election	Series 2015A Authorization Used	Series 2015B Authorization Used	Remaining at December 31, 2019
Streets	\$ 60,000,000	\$ 3,640,658	\$ 666,043	\$ 55,693,299
Water	60,000,000	881,138	161,200	58,957,662
Sanitary Sewer and Storm Sewer	60,000,000	1,599,157	292,559	58,108,284
Parks and Recreation	60,000,000	1,619,047	296,198	58,084,755
Traffic & Safety	60,000,000	-	-	60,000,000
Mosquito Control	60,000,000	-	-	60,000,000
Public Transportation	60,000,000	-	-	60,000,000
Television Relay and Translation	60,000,000	-	-	60,000,000
Operations and Maintenance	60,000,000	-	-	60,000,000
Debt Refunding	60,000,000	-	-	60,000,000
Mortgages	60,000,000	-	-	60,000,000
Management Services related to District Facilities	60,000,000	-	-	60,000,000
Total	<u>\$ 720,000,000</u>	<u>\$ 7,740,000</u>	<u>\$ 1,416,000</u>	<u>\$ 710,844,000</u>

Pursuant to the Consolidated Service Plan, each District shall not issue debt in an aggregate amount in excess of \$60,000,000. Additionally, the maximum debt mill levy is 50 mills as adjusted, which shall not be imposed for longer than 40 years after the year of the initial imposition of such debt mill levy.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**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, 2019, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 369,364
Noncurrent Portion of Long-Term Obligations	(352,884)
Net Investment in Capital Assets	<u>\$ 16,480</u>

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 6 NET POSITION (CONTINUED)**

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019 as follows:

Restricted Net Position:

Debt Service	\$ 719,218
Total Restricted Net Position	<u>\$ 719,218</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 PARTIES**

Certain members of the Board of Directors during 2019 were employees of, or consultants to, Clayton Properties Group II, Inc., a Colorado corporation doing business as Oakwood Homes and the major landowner, developer and homebuilder of the property within the Districts. As of the May 2020 election, no members of the Board of Directors are employees of, or consultants to, Clayton Properties Group II, Inc.

**NOTE 8 DISTRICT AGREEMENTS**

**Advance and Reimbursement Agreement**

The District entered into an Advance and Reimbursement Agreement (the Agreement) with Oakwood Homes LLC (the Developer) on December 2, 2015. The Agreement was assigned to Clayton Properties Group, LLC (Clayton) pursuant to a Bill of Sale and Assignment and Assumption Agreement between inter alia Oakwood Homes and Clayton dated July 3, 2017. Pursuant to the Agreement, the Developer will provide advances to the District for operations and maintenance.

The District will reimburse the Developer for the advances, together with interest at the rate of 8% per annum. The District will 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. Payments by the District are applied first to interest on, then to principal of the advances.

This agreement shall be in effect until the end of the next fiscal year after the date of execution and shall automatically renew, each fiscal year until terminated. As of December 31, 2019, there were no amounts owed to the Developer by the District for operations and maintenance.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 DISTRICT AGREEMENTS (CONTINUED)**

**Advance and Reimbursement and Facilities Acquisition Agreement**

The District and the Developer entered into an Advance and Reimbursement and Facilities Acquisition Agreement dated as of October 30, 2015 (the AR Agreement). The AR Agreement was assigned to Clayton Properties Group, LLC (Clayton) pursuant to a Bill of Sale and Assignment and Assumption Agreement between inter alia Oakwood Homes and Clayton dated July 3, 2017. The District and Clayton entered into a First Amendment to the AR Agreement on November 14, 2017 and a Second Amendment on September 10, 2018, both concerning and recognizing the advances made by Clayton, or its predecessors, the reimbursement of the advances by the District, and providing for a current accounting of the amounts owed at the time.

Pursuant to the AR Agreement, the Developer agreed to advance funds to the District to be used for capital construction of certain Public Improvements (the Advances). In return, the District agreed to reimburse the Developer for the Advances, together with an interest rate of 3% per annum accruing from the date that the Advances were made, subject to annual appropriation and available funds of the District, and acquire any Public Improvements constructed by the Developer.

As of December 31, 2019, there were no outstanding amounts owed to the Developer by the District for Public Improvements.

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to 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 and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to District No. 4. Therefore, the Emergency Reserves related to the District's revenues are reported in District No. 4.

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.

On November 5, 2013, the District voters passed an election question to increase property taxes \$2,000,000 annually, with a maximum mill levy of 20 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation), to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue annually, other than ad valorem taxes, without regard to limitations under TABOR.

## **SUPPLEMENTARY INFORMATION**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 520,184	\$ 517,764	\$ (2,420)
Specific Ownership Taxes	31,211	35,021	3,810
System Development Fees	60,000	37,500	(22,500)
Net Investment Income	21,000	28,578	7,578
Total Revenues	<u>632,395</u>	<u>618,863</u>	<u>(13,532)</u>
<b>EXPENDITURES</b>			
Paying Agent Fees	6,000	-	6,000
County Treasurer's Fees	7,803	7,768	35
Bond Interest	445,050	445,050	-
Contingency	21,147	-	21,147
Total Expenditures	<u>480,000</u>	<u>452,818</u>	<u>27,182</u>
<b>NET CHANGE IN FUND BALANCES</b>	152,395	166,045	13,650
Fund Balance - Beginning of Year	<u>1,150,108</u>	<u>1,248,761</u>	<u>98,653</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,302,503</u></u>	<u><u>\$ 1,414,806</u></u>	<u><u>\$ 112,303</u></u>

## **OTHER INFORMATION**

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2019**

Bonds and Interest Maturing in the Year Ending December 31,	\$7,740,000 General Obligation Limited Tax Bonds Dated December 10, 2015 Series 2015A Interest Rate of 5.75% Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest	Total
2020	\$ 75,000	\$ 445,050	\$ 520,050
2021	80,000	440,738	520,738
2022	95,000	436,138	531,138
2023	100,000	430,675	530,675
2024	115,000	424,925	539,925
2025	120,000	418,313	538,313
2026	140,000	411,413	551,413
2027	150,000	403,363	553,363
2028	165,000	394,738	559,738
2029	175,000	385,250	560,250
2030	200,000	375,188	575,188
2031	210,000	363,688	573,688
2032	235,000	351,613	586,613
2033	245,000	338,100	583,100
2034	275,000	324,013	599,013
2035	290,000	308,200	598,200
2036	315,000	291,525	606,525
2037	335,000	273,413	608,413
2038	365,000	254,150	619,150
2039	390,000	233,163	623,163
2040	420,000	210,738	630,738
2041	445,000	186,588	631,588
2042	485,000	161,000	646,000
2043	515,000	133,113	648,113
2044	555,000	103,500	658,500
2045	1,245,000	71,580	1,316,580
Total	\$ 7,740,000	\$ 8,170,175	\$ 15,910,175

Note: The amounts of principal and interest payments to be made on the Subordinate Bonds will depend on pledged revenue collected and cannot be predicted with certainty and are not included in the above.

**ERIE HIGHLANDS METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2019**

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	\$ 2,021,240	20.000	50.000	\$ 141,487	\$ 141,487	100.00%
2017	2,481,250	20.000	50.000	173,688	171,261	98.60
2018	6,469,170	22.111	55.277	500,636	500,295	99.93
2019	9,410,490	22.111	55.277	728,259	724,871	99.53
Estimated for the year ending December 31, 2020	\$ 11,964,470	22.265	55.663	\$ 932,367		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.