

MOUNTAIN'S EDGE METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2020**

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mountain's Edge Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mountain's Edge Metropolitan District as of and for the year December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

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 Mountain's Edge Metropolitan District, as of December 31, 2020, and the respective changes in financial position and the budgetary comparisons for the General Fund and the Special Revenue 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 Mountain's Edge Metropolitan District's basic financial statements. The Supplementary Information and the Other Information, as listed on the table of contents, is 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 them.

Duggio & Associates, P.C.

July 20, 2021

BASIC FINANCIAL STATEMENTS

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 13,500 |
| Cash and Investments - Restricted | 24,224 |
| Receivable from County Treasurer | 2,239 |
| Accounts receivable | 720 |
| Prepaid Expenses | 4,126 |
| Property Taxes Receivable | 337,772 |
| Capital Assets, Net | 122,233 |
| Total Assets | 504,814 |
| LIABILITIES | |
| Accounts Payable | 29,334 |
| Unearned Revenue | 3,870 |
| Accrued Interest Payable | 9,717 |
| Noncurrent Liabilities: | |
| Due Within One Year | 75,000 |
| Due in More Than One Year | 6,463,843 |
| Total Liabilities | 6,581,764 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 337,772 |
| Total Deferred Inflows of Resources | 337,772 |
| NET POSITION | |
| Net Investment in Capital Assets | (60,099) |
| Restricted For: | |
| Emergency Reserves | 4,800 |
| Unrestricted | (6,359,423) |
| Total Net Position | \$ (6,414,722) |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

| | | Program Revenues | | | Net Revenues (Expense) and Change in Net Position |
|---|----------------------------|--|--|----------------------------|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| FUNCTIONS/PROGRAMS | | | | | |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General Government | \$ 147,814 | \$ 16,960 | \$ - | \$ - | \$ (130,854) |
| Interest and Related Costs on Long-Term Debt | 780,687 | - | - | - | (780,687) |
| Total Government Activities | \$ 928,501 | \$ 16,960 | \$ - | \$ - | (911,541) |
| GENERAL REVENUES | | | | | |
| | | | | | 336,799 |
| | | | | | 25,172 |
| | | | | | 1,309 |
| | | | | | 363,280 |
| CHANGE IN NET POSITION | | | | | (548,261) |
| | | | | | (5,866,461) |
| NET POSITION - END OF YEAR | | | | | \$ (6,414,722) |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

| | General | Special Revenue | Debt Service | Total Governmental Funds |
|---|------------|--------------------|-----------------|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 5,339 | \$ 8,161 | \$ - | \$ 13,500 |
| Cash and Investments - Restricted | 4,200 | 600 | 19,424 | 24,224 |
| Property Tax Receivable | 145,907 | - | 191,865 | 337,772 |
| Receivable from County Treasurer | 846 | - | 1,393 | 2,239 |
| Accounts Receivable | - | 720 | - | 720 |
| Prepaid Expense | 4,126 | - | - | 4,126 |
| Total Assets | \$ 160,418 | \$ 9,481 | \$ 212,682 | \$ 382,581 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 21,095 | \$ 1,039 | \$ 7,200 | \$ 29,334 |
| Unearned Revenue | - | 3,870 | - | 3,870 |
| Total Liabilities | 21,095 | 4,909 | 7,200 | 33,204 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property Tax Revenue | 145,907 | - | 191,865 | 337,772 |
| Total Deferred Inflows or Resources | 145,907 | - | 191,865 | 337,772 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid Expense | 4,126 | - | - | 4,126 |
| Restricted For: | | | | |
| Emergency Reserves | 4,200 | 600 | - | 4,800 |
| Debt Service | - | - | 13,617 | 13,617 |
| Committed | - | 3,972 | - | 3,972 |
| Unassigned | (14,910) | - | - | (14,910) |
| Total Fund Balances | (6,584) | 4,572 | 13,617 | 11,605 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 160,418 | \$ 9,481 | \$ 212,682 | |
| 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. | | | | |
| Capital Assets, Net | | | | 122,233 |
| Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Loan Payable | | | | (3,315,000) |
| Developer Advances | | | | (2,416,069) |
| Accrued Interest Payable - Developer Advances | | | | (807,774) |
| Accrued Interest Payable - Loan | | | | (9,717) |
| Net Position of Governmental Activities | | | | \$ (6,414,722) |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

| | General | Special Revenue | Debt Service | Total Governmental Funds |
|---|-------------------|--------------------|------------------|--------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 130,018 | \$ - | \$ 206,781 | \$ 336,799 |
| Specific Ownership Taxes | 9,508 | - | 15,664 | 25,172 |
| District Service Fees | - | 16,960 | - | 16,960 |
| Net Investment Income | - | - | 1,309 | 1,309 |
| Total Revenues | <u>139,526</u> | <u>16,960</u> | <u>223,754</u> | <u>380,240</u> |
| EXPENDITURES | | | | |
| General, Administrative, Operations and Maintenance: | | | | |
| Accounting | 22,528 | - | - | 22,528 |
| Audit | 4,800 | - | - | 4,800 |
| Billing | - | 2,439 | - | 2,439 |
| County Treasurer's Fees | 1,950 | - | 3,102 | 5,052 |
| District Management | 12,504 | - | - | 12,504 |
| Dues | 523 | - | - | 523 |
| Election | 2,271 | - | - | 2,271 |
| Electricity | 151 | - | - | 151 |
| Insurance | 3,160 | - | - | 3,160 |
| Irrigation Repairs | 2,179 | - | - | 2,179 |
| Landscape Improvements | 1,342 | - | - | 1,342 |
| Landscape Maintenance | 24,442 | - | - | 24,442 |
| Legal | 37,366 | - | - | 37,366 |
| Miscellaneous | 688 | 51 | - | 739 |
| Snow Removal | 1,380 | - | - | 1,380 |
| Trash Removal | - | 14,069 | - | 14,069 |
| Water | 7,886 | - | - | 7,886 |
| Website | 965 | - | - | 965 |
| Debt Service: | | | | |
| Bond Interest | - | - | 132,500 | 132,500 |
| Bond Principal | - | - | 30,000 | 30,000 |
| Loan Issue Costs | - | - | 137,481 | 137,481 |
| Paying Agent Fees | - | - | 2,575 | 2,575 |
| Total Expenditures | <u>124,135</u> | <u>16,559</u> | <u>305,658</u> | <u>446,352</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 15,391 | 401 | (81,904) | (66,112) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan Proceeds | - | - | 3,315,000 | 3,315,000 |
| Payment to Refunding Escrow Agent | - | - | (3,638,981) | (3,638,981) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(323,981)</u> | <u>(323,981)</u> |
| NET CHANGE IN FUND BALANCES | 15,391 | 401 | (405,885) | (390,093) |
| Fund Balances - Beginning of Year | <u>(21,975)</u> | <u>4,171</u> | <u>419,502</u> | <u>401,698</u> |
| FUND BALANCES - END OF YEAR | <u>\$ (6,584)</u> | <u>\$ 4,572</u> | <u>\$ 13,617</u> | <u>\$ 11,605</u> |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (390,093)

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 Expense (7,120)

Long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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.

Loan Proceeds (3,315,000)
Bond Principal Payment 30,000
Payment to Refunding Escrow Agent - Principal 3,181,000

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

Senior Bond Interest - Change in Liability 11,042
Subordinate Bond Interest - Change in Liability 144,912
Loan Interest - Change in Liability (9,717)
Developer Interest - Change in Liability (193,285)

Changes in Net Position of Governmental Activities \$ (548,261)

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 130,018 | \$ 130,018 | \$ - |
| Specific Ownership Taxes | 10,401 | 9,508 | (893) |
| Total Revenues | <u>140,419</u> | <u>139,526</u> | <u>(893)</u> |
| EXPENDITURES | | | |
| General, Administrative, Operations and Maintenance: | | | |
| Accounting | 24,000 | 22,528 | 1,472 |
| Audit | 5,200 | 4,800 | 400 |
| Contingency | 1,350 | - | 1,350 |
| County Treasurer's Fees | 1,950 | 1,950 | - |
| District Management | 14,500 | 12,504 | 1,996 |
| Drainage Maintenance | 5,000 | - | 5,000 |
| Dues | 400 | 523 | (123) |
| Election | 1,300 | 2,271 | (971) |
| Electricity | 500 | 151 | 349 |
| Insurance | 3,000 | 3,160 | (160) |
| Irrigation Repairs | 3,000 | 2,179 | 821 |
| Landscape Improvements | 4,000 | 1,342 | 2,658 |
| Landscape Maintenance | 25,000 | 24,442 | 558 |
| Legal | 23,000 | 37,366 | (14,366) |
| Miscellaneous | 1,500 | 688 | 812 |
| Snow Removal | 3,000 | 1,380 | 1,620 |
| Water | 14,000 | 7,886 | 6,114 |
| Website | 300 | 965 | (665) |
| Total Expenditures | <u>131,000</u> | <u>124,135</u> | <u>6,865</u> |
| NET CHANGE IN FUND BALANCE | 9,419 | 15,391 | 5,972 |
| Fund Balance - Beginning of Year | <u>3,291</u> | <u>(21,975)</u> | <u>(25,266)</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 12,710</u> | <u>\$ (6,584)</u> | <u>\$ (19,294)</u> |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------------------|-------------------|---|
| REVENUES | | | |
| District Service Fees | \$ 16,400 | \$ 16,960 | \$ 560 |
| Total Revenues | <u>16,400</u> | <u>16,960</u> | <u>560</u> |
| EXPENDITURES | | | |
| Billing | 4,200 | 2,439 | 1,761 |
| Trash Removal | 13,300 | 14,069 | (769) |
| Miscellaneous | - | 51 | (51) |
| Total Expenditures | <u>17,500</u> | <u>16,559</u> | <u>941</u> |
| NET CHANGE IN FUND BALANCE | (1,100) | 401 | 1,501 |
| Fund Balance - Beginning of Year | <u>8,803</u> | <u>4,171</u> | <u>(4,632)</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 7,703</u> | <u>\$ 4,572</u> | <u>\$ (3,131)</u> |

See accompanying Notes to Basic Financial Statements.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

Mountain's Edge Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Jefferson County as recorded on December 9, 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 boundaries of the Southwest Metropolitan Water and Sanitation District in Jefferson County, Colorado. The District was established to provide water, storm sewer and sanitary sewer, streets and traffic safety protection, mosquito control, and other powers.

The District was originally organized under the name Reserve at the Meadows Metropolitan District. The District changed its name to Mountain's Edge Metropolitan District, effective April 7, 2016, pursuant to the recorded Order Granting Petition for Name Change. Agreements executed under the name "Reserve at the Meadows Metropolitan District" are considered to be the same as those executed under Mountain's Edge Metropolitan District.

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

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

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.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of 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 as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds, notes and Developer advances are recorded as a reduction in liabilities.

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 and specific ownership 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 Special Revenue Fund is used to account for revenues and expenditures related to providing trash and recycling services to properties in the District. Revenue reported in this fund include the Trash and Recycling Fee as authorized by Resolution 2017-11-06.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 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 has amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

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

Property Taxes

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

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property and infrastructure assets (e.g., detention ponds and similar items), are reported in the applicable governmental 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.

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 following estimated economic useful lives:

| | |
|--------------------------|----------|
| Landscaping | 20 Years |
| Storm and Sanitary Sewer | 20 Years |
| Water | 20 Years |

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, that item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

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

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

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

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Deficits

The General Fund reported a deficit in the fund financial statement as of December 31, 2020. The deficits will be eliminated with the receipt of property taxes in 2021.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS

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

| | |
|-----------------------------------|------------------|
| Cash and Investments | \$ 13,500 |
| Cash and Investments - Restricted | 24,224 |
| Total Cash and Investments | <u>\$ 37,724</u> |

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

| | |
|--------------------------------------|------------------|
| Deposits with Financial Institutions | \$ 37,724 |
| Total Cash and Investments | <u>\$ 37,724</u> |

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2020, the District's cash deposits had a bank balance of \$37,724 and a carrying balance of \$37,724.

Investments

The District has adopted a formal investment policy that follows state statutes regarding investments.

The District generally limits its concentration of investments to those 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.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2020, the District had no investments.

NOTE 4 CAPITAL ASSETS

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

| | Balance - December 31, 2019 | Increases | Decreases | Balance - December 31, 2020 |
|--|-----------------------------------|-------------------|-------------|-----------------------------------|
| Capital Assets, Being Depreciated: | | | | |
| Landscape Improvements | \$ 44,725 | \$ - | \$ - | \$ 44,725 |
| Storm and Sewer Improvements | 22,046 | - | - | 22,046 |
| Water Improvements | 75,637 | - | - | 75,637 |
| Total Capital Assets, Being Depreciated | 142,408 | - | - | 142,408 |
| Less: Accumulated Depreciation | (13,055) | (7,120) | - | (20,175) |
| Capital Assets, Net | <u>\$ 129,353</u> | <u>\$ (7,120)</u> | <u>\$ -</u> | <u>\$ 122,233</u> |

Depreciation expense was charged to the general government function.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS

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

| | Balance - December 31, 2019 | Additions | Reductions | Balance - December 31, 2020 | Due Within One Year |
|---|-----------------------------------|---------------------|---------------------|-----------------------------------|---------------------------|
| General Obligation (Limited Tax Convertible to Unlimited Tax) | | | | | |
| Bonds - Series 2016A | \$ 2,650,000 | \$ - | \$ 2,650,000 | \$ - | \$ - |
| Subordinate General Obligation Limited Tax Bonds - Series 2016B | 561,000 | - | 561,000 | - | - |
| General Obligation Refunding Taxable (Convertible to Tax-Exempt) | | | | | |
| Loan - Series 2020 | - | 3,315,000 | - | 3,315,000 | 75,000 |
| Other Debt: | | | | | |
| Developer Advance | | | | | |
| - Capital | 2,222,800 | - | - | 2,222,800 | - |
| Developer Advance | | | | | |
| - O&M | 193,269 | - | - | 193,269 | - |
| Developer Advance | | | | | |
| - Interest on Capital | 572,934 | 177,824 | - | 750,758 | - |
| Developer Advance | | | | | |
| - Interest on O&M | 41,555 | 15,461 | - | 57,016 | - |
| Total | <u>\$ 6,241,558</u> | <u>\$ 3,508,285</u> | <u>\$ 3,211,000</u> | <u>\$ 6,538,843</u> | <u>\$ 75,000</u> |

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

\$2,655,000 Series 2016A General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds

On October 11, 2016, the District issued General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2016A (the Senior Bonds) in the amount of \$2,655,000, with interest of 5.0% per annum, payable semi-annually on June 1 and December 1, beginning on December 1, 2016. The Senior Bonds mature December 1, 2046. The Senior Bonds are subject to mandatory sinking fund redemption prior to maturity commencing on December 1, 2019.

On December 2, 2020, the District refunded the Senior Bonds from proceeds of the 2020 Loan.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$561,000 Series 2016B Subordinate General Obligation Limited Tax Bonds

On October 11, 2016, the District issued Subordinate General Obligation Limited Tax Bonds, Series 2016B (the Subordinate Bonds) in the amount of \$561,000 with interest of 7.375%, compounding annually on December 15, payable annually, from Subordinate Pledged Revenue on December 15, commencing on December 15, 2016. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of interest or principal prior to the final maturity. The Subordinate Bonds mature December 15, 2046.

On December 2, 2020, the District advance-refunded the Subordinate Bonds from proceeds of the 2020 Loan.

\$3,315,000 Series 2020 General Obligation Refunding Taxable (Convertible to Tax-Exempt) Loan

On December 2, 2020 (the Closing Date), the District entered into a Loan Agreement with Zion Bancorporation, N.A. dba: Vectra Bank Colorado (the Bank) in connection with the issuance of a loan in the maximum amount of \$3,315,000 (2020 Loan). The proceeds from the 2020 Loan were used to (i) refund the Senior Bonds in the principal amount of \$2,620,000 which had an interest rate of 5.00% and the Subordinate Bonds in the principal amount of \$561,000 and had an interest rate of 7.375%; (ii) pay the Bank's combined loan commitment fee and rate lock fee; and (iii) pay the costs of issuing the 2020 Loan. The average interest rate on the 2020 Loan is 3.17%.

The net proceeds of the 2020 Loan of \$3,179,704 (after payment of issuance costs of \$135,296), along with available District funds of \$459,277, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds have been removed from the District's liabilities. The 2016A and 2016B Bonds will be redeemed on December 1, 2021, and December 15, 2021, respectively, at a redemption price equal to 103.00% of par.

The refunding will reduce the District's total debt service payments by approximately \$1.246 million and resulted in an economic gain (difference between the present value of the debt service on the 2016 Bonds and the 2020 Loan) of approximately \$608,000.

Prior to the Tax-Exempt Reissuance Date, the 2020 Loan bears interest at the Base Rate of 3.64% (subject to the Interest Reset Date). On and after the Tax-Reissuance Date, until the first Interest Reset Date, the Based Rate will be 2.98%. The Tax-Exempt Reissuance Date is the date on which any portion of the 2020 Loan bearing Taxable Interest is reissued for federal income tax purposes for an obligation bearing Tax-Exempt Interest. The Interest Reset Date is December 1, 2040 and every five-year anniversary thereafter until the 2020 Loan is paid.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$3,315,000 Series 2020 General Obligation Refunding Taxable (Convertible to Tax-Exempt) Loan (Continued)

Interest payments are due on June 1 and December 1 of each year, commencing June 1, 2021 (Interest Payment Dates). All interest due and payable shall be calculated on the basis of a 360-day year and actual number of days elapsed in the applicable period. Interest not paid when due shall compound on each Interest Payment Date at the then-applicable interest rate. Principal payments are due December 1 of each year beginning on December 1, 2021. The 2020 Loan matures on December 1, 2045.

At its option, the District may prepay all or any part of the principal of the 2020 Loan upon payment of the principal amount so prepaid, accrued interest thereon, and a Prepayment Fee. On a date prior to the fifth anniversary of the Closing Date, the Prepayment Fee is 1% of the principal amount so prepaid, provided that there will not be a fee if the 2020 Loan is paid from excess annual revenues resulting from the District's imposition of its debt service mill levy. On and after the fifth anniversary of the Closing Date, no Prepayment Fee shall apply.

The principal of and interest on the 2020 Loan is payable solely from and to the extent of Pledged Revenue, which consists of (a) the Required Mill Levy (net of collection costs); (b) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; and (c) any other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue.

Prior to the time when the Parity Debt to Assessed Ratio is 50% or less, the Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, when combined with moneys held in the Loan Payment Fund, to pay the Annual Debt Requirements (as defined in the Loan Agreement) for the next fiscal year, but not in excess of 50 mills (subject to adjustment).

In the event the method of calculating assessed valuation is changed after August 6, 2013, the mill levy shall be increased or decreased to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

Once the Parity Debt to Assessed Ratio is 50% or less, the Required Mill Levy shall be equal to an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, when combined with moneys held in the Loan Payment Fund, to generate property tax revenues of not less than the Annual Debt Requirements for the next fiscal year without limitation of rate.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term bond obligations will mature as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|---------------------|---------------------|---------------------|
| 2021 | \$ 75,000 | \$ 116,598 | \$ 191,598 |
| 2022 | 95,000 | 97,893 | 192,893 |
| 2023 | 100,000 | 95,023 | 195,023 |
| 2024 | 100,000 | 92,253 | 192,253 |
| 2025 | 105,000 | 88,980 | 193,980 |
| 2026-2030 | 570,000 | 395,565 | 965,565 |
| 2031-2035 | 660,000 | 304,280 | 964,280 |
| 2036-2040 | 775,000 | 198,117 | 973,117 |
| 2041-2045 | 835,000 | 131,349 | 966,349 |
| Total | <u>\$ 3,315,000</u> | <u>\$ 1,520,058</u> | <u>\$ 4,835,058</u> |

Authorized Debt

On November 5, 2013, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$36,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized November 5, 2013 Election | Authorization Used for Series 2016A Bonds | Authorization Used for Series 2016B Bonds | Authorization Used for Series 2020 Loan | Authorization Contingently Used for Series 2020 Loan | Authorized But Unissued |
|------------------------------|--|--|--|--|---|-------------------------------|
| Street Improvements | \$ 4,000,000 | \$ 1,040,495 | \$ 219,856 | \$ - | \$ - | \$ 2,739,649 |
| Water | 4,000,000 | 383,382 | 81,008 | - | - | 3,535,610 |
| Storm or Sanitary Sewer | 4,000,000 | 1,231,123 | 260,136 | - | - | 2,508,741 |
| Traffic and Safety | 4,000,000 | - | - | - | - | 4,000,000 |
| Mosquito Control | 4,000,000 | - | - | - | - | 4,000,000 |
| Operations and Maintenance | 4,000,000 | - | - | - | - | 4,000,000 |
| Debt Refunding | 8,000,000 | - | - | 134,000 | 3,181,000 | 4,685,000 |
| Intergovernmental Agreements | 4,000,000 | - | - | - | - | 4,000,000 |
| Total | <u>\$ 36,000,000</u> | <u>\$ 2,655,000</u> | <u>\$ 561,000</u> | <u>\$ 134,000</u> | <u>\$ 3,181,000</u> | <u>\$ 29,469,000</u> |

Per the 2020 Loan Agreement, the District allocates the aggregate principal amount of the 2020 Loan as follows: (i) the amount of \$134,000, being the principal amount of the portion of the 2020 Loan used to refund the Refunded Bonds which is in excess of the outstanding principal amount of the Refunded Bonds, shall be allocated to the authorized but unissued electoral authorization for refunding purposes, and (ii) the remaining principal amount of the 2020 Loan, being the amount of \$3,181,000, shall be allocated to the authorized but unissued electoral authorization for refunding purposes, but such allocation shall be contingent upon whether the final net effective interest rate of the 2020 Loan is lower than the net effective interest rate on the Refunded Bonds.

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$4,000,000.

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.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 NET POSITION

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

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

| | Governmental Activities |
|--|----------------------------|
| Capital Assets, Net | \$ 122,233 |
| Outstanding Long-Term Debt Applicable to Capital Assets | (109,432) |
| Outstanding Developer Advances Related to Capital Assets | (73,377) |
| Loan Proceeds Applicable to Capital Assets | 477 |
| Net Investment in Capital Assets | \$ (60,099) |

Restricted assets include net position 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, 2020, as follows:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Restricted Net Position: | |
| Emergency Reserves | \$ 4,800 |
| Total Restricted Net Position | \$ 4,800 |

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

NOTE 7 RELATED PARTY

Funding and Reimbursement Agreement

Operations Funding

The District and Reserve at the Meadows, LLC (the Developer) entered into the 2013-2014 Operation Funding Agreement dated December 10, 2013 (the 2013-2014 OFA). Pursuant to the 2013-2014 OFA, the Developer agreed to advance funds to the District for payment of operation and maintenance expenses for fiscal years 2013 and 2014 up to \$60,000. The District has agreed to reimburse the Developer for funds advanced under the 2013-2014 OFA along with interest of 8% per annum.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 RELATED PARTY (CONTINUED)

Funding and Reimbursement Agreement (Continued)

Operations Funding (Continued)

The District and the Developer entered into the 2015 Operation Funding Agreement on December 4, 2014, with an effective date of December 1, 2015 (the 2015 OFA), whereby the Developer agreed to provide funding for operation and maintenance expenses of the District for fiscal year 2015 up to \$40,000. The District agreed to reimburse the Developer for such advances along with interest at 8% per annum. Reimbursement payments made under the 2015 OFA are applied first to the 2013-2014 OFA interest then principal, then to the 2015 OFA interest then principal.

The District and the Developer entered into the 2016 Operation Funding Agreement on November 13, 2015, with an effective date of January 1, 2016 (the 2016 OFA), whereby the Developer agreed to provide funding for operation and maintenance expenses of the District for fiscal year 2016 up to \$37,295. The District agreed to reimburse the Developer for such advances along with interest at 8% per annum. Reimbursement payments made under the 2016 OFA are applied first to the 2013-2014 OFA interest then principal, then to the 2015 OFA interest then principal, then to the 2016 OFA interest then principal.

The District and the Developer entered into a 2017 Operation Funding Agreement dated November 18, 2016, with an effective date of January 1, 2017 as amended on November 21, 2017 (the 2017 OFA). Pursuant to the 2017 OFA, the Developer agreed to provide funding for operation and maintenance expenses for the District for fiscal year 2017 through 2018 up to \$153,000. The District has agreed to reimburse the Developer for such advances along with interest at 8%. Payments made under the 2017 OFA are first applied to the 2013-2014 OFA interest then principal, then to the 2015 OFA interest then principal, then to the 2016 OFA interest then principal, then to the 2017 OFA interest then principal. As of December 31, 2020, the amount outstanding under the aggregate of Operation Funding Agreements totaled \$250,285, comprised of principal of \$193,269 and accrued interest of \$57,016.

Facilities Funding and Acquisition

The District and the Developer entered into a Facilities Funding and Acquisition Agreement, dated December 10, 2013, as amended by the First Amendment dated December 4, 2014, the Second Amendment dated September 26, 2016, and the Third Amendment dated November 18, 2016 (collectively, the FFAA). Pursuant to the FFAA, the Developer agreed to advance funds to the District for the construction of public improvements for fiscal years 2013 to 2018 up to \$8,000,000. The District has agreed to reimburse the Developer for funds advanced under the FFAA, together with interest thereon at the rate of 8% per annum. Payments made under the FFAA are applied first to interest and then to principal. As of December 31, 2020, the outstanding advances under the FFAA total \$2,973,558, comprised of principal of \$2,222,800 and accrued interest of \$750,758.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 DISTRICT AGREEMENTS

Intergovernmental Agreements

Service Plan IGA

On December 19, 2014, the District and Southwest Metropolitan Water and Sanitation District (SMWSD) entered into an Intergovernmental Agreement (the Service Plan IGA) whereby the parties acknowledge that the District has the limited authority to finance, acquire and construct certain potable water and sanitary sewer facilities for ultimate dedication and conveyance to SMWSD. Upon the dedication and acceptance by SMWSD of such facilities, the District no longer has any authority to finance, construct and/or acquire potable water and sanitary sewer service facilities. Further, the District acknowledges that the property within its boundaries is subject to the rules and regulations of SMWSD relative to provisions of water and sanitary sewer services and the construction of facilities for the same.

Underdrain Agreement

The District and SMWSD entered into an Underdrain Agreement dated April 17, 2015 (the Underdrain Agreement) whereby the parties agreed to allow the District to install, operate, maintain, and repair a District owned underdrain in the same trench with SMWSD's sanitary sewer line(s) to serve property within the District.

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 (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. 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.

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 that 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.

On November 5, 2013, a majority of the District's electors authorized the District to collect and spend or retain in a reserve the full amount of all currently levied taxes and fees from the District annually, without regard to any limitations under TABOR.

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

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

SUPPLEMENTARY INFORMATION

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

| | Budgets | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------------|--------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 206,781 | \$ 206,781 | \$ 206,781 | \$ - |
| Specific Ownership Taxes | 16,542 | 16,180 | 15,664 | (516) |
| Net Investment Income | 4,300 | 2,570 | 1,309 | (1,261) |
| Total Revenues | <u>227,623</u> | <u>225,531</u> | <u>223,754</u> | <u>(1,777)</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fees | 3,102 | 3,102 | 3,102 | - |
| Bond Interest - Series 2016A | 132,500 | 66,250 | 132,500 | (66,250) |
| Bond Principal - Series 2016A | 30,000 | 30,000 | 30,000 | - |
| Loan Issue Costs | - | 234,195 | 137,481 | 96,714 |
| Paying Agent Fees | 5,000 | 5,500 | 2,575 | 2,925 |
| Contingency | 398 | 16,428 | - | 16,428 |
| Total Expenditures | <u>171,000</u> | <u>355,475</u> | <u>305,658</u> | <u>49,817</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Loan Proceeds | - | 3,490,000 | 3,315,000 | (175,000) |
| Payment to Refunding Escrow Agent | - | (3,734,525) | (3,638,981) | 95,544 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(244,525)</u> | <u>(323,981)</u> | <u>(79,456)</u> |
| NET CHANGE IN FUND BALANCE | 56,623 | (374,469) | (405,885) | (31,416) |
| Fund Balance - Beginning of Year | <u>415,965</u> | <u>419,502</u> | <u>419,502</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 472,588</u></u> | <u><u>\$ 45,033</u></u> | <u><u>\$ 13,617</u></u> | <u><u>\$ (31,416)</u></u> |

OTHER INFORMATION

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

\$3,315,000 General Obligation Refunding Taxable
(Convertible to Tax-Exempt) Loan, Series 2020
Interest 2.98% - 5.00%
Dated December 2, 2020

| <u>Loan and Interest Maturing in the Year Ending December 31,</u> | <u>Interest Payable June 1 and December 1 Principal Payable December 1</u> | | |
|---|--|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2021 | \$ 75,000 | \$ 116,598 | \$ 191,598 |
| 2022 | 95,000 | 97,893 | 192,893 |
| 2023 | 100,000 | 95,023 | 195,023 |
| 2024 | 100,000 | 92,253 | 192,253 |
| 2025 | 105,000 | 88,980 | 193,980 |
| 2026 | 110,000 | 85,807 | 195,807 |
| 2027 | 110,000 | 82,484 | 192,484 |
| 2028 | 115,000 | 79,377 | 194,377 |
| 2029 | 115,000 | 75,686 | 190,686 |
| 2030 | 120,000 | 72,211 | 192,211 |
| 2031 | 125,000 | 68,586 | 193,586 |
| 2032 | 130,000 | 64,986 | 194,986 |
| 2033 | 130,000 | 60,881 | 190,881 |
| 2034 | 135,000 | 56,953 | 191,953 |
| 2035 | 140,000 | 52,874 | 192,874 |
| 2036 | 145,000 | 48,778 | 193,778 |
| 2037 | 150,000 | 44,263 | 194,263 |
| 2038 | 155,000 | 39,731 | 194,731 |
| 2039 | 160,000 | 35,048 | 195,048 |
| 2040 | 165,000 | 30,297 | 195,297 |
| 2041 | 150,000 | 42,330 | 192,330 |
| 2042 | 160,000 | 34,726 | 194,726 |
| 2143 | 165,000 | 26,615 | 191,615 |
| 2044 | 175,000 | 18,300 | 193,300 |
| 2045 | 185,000 | 9,378 | 194,378 |
| Total | <u>\$ 3,315,000</u> | <u>\$ 1,520,058</u> | <u>\$ 4,835,058</u> |

**MOUNTAIN'S EDGE METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Property Taxes | | Percent Collected to Levied |
|---|---|-----------------|----------------|-----------|-----------------------------------|
| | | | Levied | Collected | |
| 2016 | \$ 916,601 | 71.000 | \$ 65,079 | \$ 65,064 | 99.97% |
| 2017 | 998,073 | 71.000 | 70,863 | 70,864 | 100.00 |
| 2018 | 2,455,628 | 90.277 | 221,687 | 221,687 | 100.00 |
| 2019 | 2,829,822 | 90.277 | 255,468 | 255,468 | 100.00 |
| 2020 | 3,714,805 | 90.664 | 336,799 | 336,799 | 100.00 |
| Estimated for the Year Ending December 31, 2021 | \$ 3,725,533 | 90.664 | \$ 337,772 | | |

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.