

cPa DIXON, WALLER & CO., INC.

SANTA FE TRAIL RANCH

METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2020

DIXON, WALLER & CO., INC.

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SANTA FE TRAIL RANCH METROPOLITAN DISTRICT

DECEMBER 31, 2020

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SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
ROSTER OF OFFICERS AND DIRECTORS
December 31, 2020

BOARD OF DIRECTORS

Robert L. Scott	President
Rick Kinder	Vice-President
Carlin Craig	Secretary/Treasurer
R. C. Ghomley	Member
Billy Hughes	Member

FINANCIAL SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
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Independent Auditor's Report

Board of Directors
Santa Fe Trail Metropolitan District
Trinidad, CO 81082

We have audited the accompanying financial statements of the business-type activities of Santa Fe Trail Metropolitan District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Santa Fe Trail Metropolitan District as of December 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Fe Trail Metropolitan District's basic financial statements. The schedule of revenues and expenses, budget (non-GAAP) and actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of revenues and expenses, budget (non-GAAP) and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenses, budget (non-GAAP) and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dixon, Walker & Co., Inc.

July 21, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

*Santa Fe Trail Ranch
Metropolitan District
Management Discussion and Analysis
Year Ended December 31, 2020*

Introduction:

The management discussion and analysis of the Santa Fe Trail Ranch Metropolitan District's (Metro) financial performance provides an overview of the Metro's financial activities for the year 2020 with comparisons to 2019. This discussion and analysis should be read with the accompanying financial statements of the Metro.

The District implemented the Gallinas Bridge Replacement in 2016. There was a serious concern about the stability and capacity of the sole bridge in the Metro's development for some time. Several engineering studies confirmed those fears and recommended de-rating the bridge from 80,000 pounds to 40,000 pounds. An engineering proposal was commissioned by the Board of Directors, producing an estimated price to replace the bridge. This proposal was voted on by the property owners and approved by a vote of about 80% in favor. The County Commission then approved a debt increase for the Metro and a General Obligation Loan was negotiated with NBH Bank in the amount of \$3,410,000. At the end of 2018 the Metro District had completed construction of the new bridge. During 2019 the Metro District began construction of a community center building. Construction of the community center (Metro Operations Center – MOC) was completed in the year 2020.

Using this Annual Report:

The Metro's financial statement consists of three statements: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows. These statements provide information about the activities of the Metro, including resources held by the Metro but restricted for special purposes by creditors, customers, grantors, or enabling legislation. The Metro is accounted for as a quasi-governmental corporation proprietary fund and presents its financial statements using the accrual basis of accounting.

Financial highlights:

The Metro's net position at the end of 2020 was \$2,687,740 compared to \$2,796,832 in the year 2019. Operating revenues decreased from \$510,232 in 2019 to \$501,804 in 2020.

Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position:

At the end of 2020, the water system had successfully completed its sixteenth year of operation. The number of customers connected to the system has increased from 19 at the end of 2004, 49 at the end of 2005, and 77 at the end of 2006, 99 at the end of 2007, 170 at the end of 2008 and 176 at the end of 2009, 180 at the end of 2010 and 183 at the end of 2011, 187 at the end of 2012, 2013 staying at 187 to 188 in 2014, 195 in 2015, 199 in 2016, 205 in 2017, 210 in 2018, 214 in 2019 and 2020. Customers may choose to hook up for a fee of \$7,700.00 of which the Metro must pay the City of Trinidad \$5,700.00 for Plant Investment Fee (PIF) and water rights. Total net position decreased from \$2,796,832 in 2019 to \$2,687,740 in 2020.

The expenses that are the major variables from year-to-year are Depreciation, PIF, Utilities/Storage, and repairs. Depreciation has increased due to the completion of the system. PIF is a direct factor to new customer service. Utilities increased from \$100,856 in 2019 to \$109,798 in 2020. Repairs increased from \$45,906 in 2019 to \$92,482 in 2020. This increase is due largely to leak repairs. The Metro's goal continues to try to balance the revenues and expenses to ensure customer satisfaction. Below is a comparative statement of assets, revenues, expenses and changes in net position.

NET POSITION	<u>2020</u> Business Type Activities	<u>2019</u> Business Type Activities
ASSETS		
Current and Other Assets	627,765	710,727
Capital Assets	<u>4,749,828</u>	<u>4,985,255</u>
Total Assets	5,377,593	5,695,982
LIABILITIES		
Current and Other Liabilities	255,133	259,430
Long Term Liabilities	<u>2,435,000</u>	<u>2,640,000</u>
Total Liabilities	2,690,133	2,899,430
NET ASSETS		
Invested in capital assets, Net of Related Debt	2,109,828	2,145,255
Restricted for:		
Debt Service	288,150	287,428
Capital Outlay		36,298
Unrestricted	<u>289,762</u>	<u>327,851</u>
	<u>2,687,740</u>	<u>2,796,832</u>

CHANGE IN NET POSITION	<u>2020</u> Business Type Activities	<u>2019</u> Business Type Activities
OPERATING REVENUES		
Water Sales	94,928	78,493
Plant Investment Fee	11,400	22,800
Owner Assessments	379,747	400,924
Water Tap	4,000	6,000
Other	<u>11,729</u>	<u>2,015</u>
Total Operating Revenues	501,804	510,232
OPERATING EXPENSES		
Legal	1,822	571
Professional Fees	33,138	32,247
Administration	30,059	21,175
Insurance	4,290	4,905
Other General and Administrative	6,545	4,824
Repairs	92,482	45,906
Utilities / Storage	109,798	100,856
Plant Investment Fees	11,400	22,800
Depreciation and Amortization	<u>251,788</u>	<u>243,091</u>
Total Operating Expenses	541,322	476,375
INCOME (LOSS) FROM OPERATIONS	<u>(39,518)</u>	<u>33,857</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	1,949	2,273
Interest Expense	(71,523)	(83,856)
Loss on Disposition of Assets		(14,118)
Total Non-Operating Revenues (Expenses)	<u>(69,574)</u>	<u>(95,701)</u>
CHANGE IN NET POSITION	<u>(109,092)</u>	<u>61,844</u>

Statement of Cash Flows:

The Statement of Cash Flows reflects the four basic types of revenues received in 2019; repayment towards the original bond indebtedness, maintenance fee, payments on the bridge loan, and water sales. The bond indebtedness represents money spent for the installation of the water and phone systems for the Santa Fe Trail Ranch property owners. The bridge payments represent money being spent on construction of a new bridge for the Santa Fe Trail Ranch property owners.

Capital Assets:

Changes in the Metro's capital assets decreased in 2020 compared to 2019. More specifically see the table below:

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2020</u>
Land	91,307			91,307
Buildings	468,866	4,605		473,471
Water Delivery System	3,262,966			3,262,966
Infrastructure	3,303,110			3,303,110
Equipment	128,430	11,756		140,186
Accumulated Depreciation	(2,269,424)	(521,788)		(2,521,212)
Total	4,985,255	(235,427)		4,749,828

Long Term Debt:

During 2017, the Metro District drew the remaining \$3,075,330 out of the General Obligation Loan of \$3,410,000 that they entered into on August 2, 2016 for the sole purpose of securing financing for the construction of the new bridge. As required by the loan, the Metro District also maintained a debt reserve of \$285,000.

Below is a schedule of changes in long term debt:

	<u>Beginning Balance 1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 12/31/2020</u>
2017 General Obligation Loan	<u>\$2,840,000</u>	<u>\$ -</u>	<u>\$200,000</u>	<u>\$2,640,000</u>
	<u>\$2,840,000</u>	<u>\$ -</u>	<u>\$200,000</u>	<u>\$2,640,000</u>

Contacting the Santa Fe Trail Ranch Metropolitan District Financial Management:

This Management Discussion and Analysis along with the annual audit of the Santa Fe Trail Ranch Metropolitan District is designed to provide its customers, property owners of Santa Fe Trail Ranch, suppliers, governmental agencies, and citizens with a general overview of the Metro's finances and accountability for the money it receives. Questions regarding this report should be directed to the Metro's business office, Metro Operations Center, 33712 Mountain View Drive, Trinidad, CO 81082.

BASIC FINANCIAL STATEMENTS

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2020

	Business Type Activities 2020
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash	581,021
Accounts Receivable	46,744
Inventories	-
<u>Total Current Assets</u>	<u>627,765</u>
<u>Capital Assets</u>	
Land	91,307
Buildings	473,471
Water Delivery System	3,262,966
Infrastructure	3,303,110
Equipment	140,186
Less Accumulated Depreciation	(2,521,212)
<u>Net Capital Assets</u>	<u>4,749,828</u>
<u>Other Assets</u>	
Deposits	280
<u>Total Other Assets</u>	<u>280</u>
<u>TOTAL ASSETS</u>	<u>5,377,873</u>
 <u>LIABILITIES AND NET POSITION</u>	
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable	18,011
Accrued Interest Payable	24,922
Current Maturities - Long Term Debt	205,000
Advanced Assessments	7,200
<u>Total Current Liabilities</u>	<u>255,133</u>
<u>Long-Term Debt</u>	<u>2,435,000</u>
<u>TOTAL LIABILITIES</u>	<u>2,690,133</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	2,109,828
Restricted:	
Debt Service	288,150
Unrestricted	289,762
<u>TOTAL NET POSITION</u>	<u>2,687,740</u>

The accompanying notes are an integral part of these financial statements.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2020

	Business Type Activities 2020
<u>OPERATING REVENUES</u>	
Water Sales	94,928
Plant Investment Fee	11,400
Owner Assessments	379,747
Water Tap	4,000
Other	<u>11,729</u>
<u>Total Operating Revenues</u>	<u>501,804</u>
<u>OPERATING EXPENSES</u>	
Legal	1,822
Professional Fees	33,138
Administration	30,059
Insurance	4,290
Other General and Administrative	6,545
Repairs	92,482
Utilities/Storage	109,798
Plant Investment Fees	11,400
Bad Debts	-
Depreciation and Amortization	<u>251,788</u>
<u>Total Operating Expenses</u>	<u>541,322</u>
<u>INCOME (LOSS) FROM OPERATIONS</u>	<u>(39,518)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest Income	1,949
Interest Expense	(71,523)
Loss on Disposition of Assets	-
<u>Total Non-Operating Revenues (Expenses)</u>	<u>(69,574)</u>
<u>CHANGE IN NET POSITION</u>	(109,092)
<u>NET POSITION, Beginning</u>	<u>2,796,832</u>
<u>NET POSITION, Ending</u>	<u>2,687,740</u>

The accompanying notes are an integral part of these financial statements.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2020

	Business Type Activities 2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Operations	512,621
Payments to Employees	-
Payments to Vendors	(289,698)
<u>Net Cash Provided (Used) by Operations</u>	<u>222,923</u>
 <u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
<u>Net Cash from Non-Capital Financing Activities</u>	<u>-</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Aquisition of Capital Assets	(16,361)
Principal Paid on Long-Term Debt	(200,000)
Interest Paid on Long-Term Debt	(80,656)
<u>Net Cash from Capital and Related Financing Activities</u>	<u>(297,017)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Earnings	1,949
<u>Net Cash from Investing Activities</u>	<u>1,949</u>
 <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	 (72,145)
 <u>CASH AND CASH EQUIVALENTS, Beginning of Year</u>	 <u>653,166</u>
 <u>CASH AND CASH EQUIVALENTS, End of Year</u>	 <u>581,021</u>
 <u>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating Income (Loss)	(39,518)
 <u>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</u>	
Depreciation and Amortization	251,788
(Increase) Decrease in Accounts Receivable	10,817
(Increase) Decrease in Inventories	-
(Increase) Decrease in Other Assets	-
Increase (Decrease) in Accounts Payable	(164)
Increase (Decrease) in Advance Assessments	-
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>222,923</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Santa Fe Trail Ranch Metropolitan District (District) conform with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board with five members.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basis financial statements present the District (the primary government) and its component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

C. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- Major Proprietary Funds – Business –Type Activities

Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Depreciation

The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-25 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

F. Revenue Recognition

Operating revenues are recognized when billed. Property taxes (if levied), net of estimated uncollected taxes will be recorded initially as deferred inflows in the year they are levied and measurable. The deferred property tax inflows will then be recorded as revenue in the year they are available or collected.

Under a water purchase contract, the District must pay an amount to the seller each time an individual tap is issued. This amount will be recovered from the property owner and will be recognized as revenue when the owner is billed. Costs to connect the customers to the system will be recovered by the District in the form of a tap fee and will be recognized as revenue when due from the customer.

G. Utility Plant in Service

The water delivery system is recorded at Association transferred cost (as indicated in Note 9) plus District cost.

H. Budgetary Accounting

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Directors. Budgets are prepared on a NON-GAAP basis.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budgetary Accounting (Continued)

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. The Treasurer is authorized to transfer budgeted amounts between categories, however, any revisions that alter the total expenditures of the Board must be approved by the Board of Directors.

I. Property Taxes

Under Colorado law, all property taxes become due and payable in the year following that in which they are levied. Property taxes are recognized as revenue when payable to the County Treasurer. Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

Although the Metro District has the authority to levy ad valorem taxes, none were levied in December of 2019 for collection in 2020.

J. Cash

Cash for purposes of financial statement presentation and use in the statement of cash flows represents deposits with financial institutions.

NOTE 2 CAPITAL ASSETS

Business Type Activities

A summary of changes in District capital assets is as follows:

	<u>Balance</u> <u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Land	91,307	-	-	91,307
Buildings	468,866	4,605	-	473,471
Water Delivery System	3,262,966	-	-	3,262,966
Infrastructure	3,303,110	-	-	3,303,110
Equipment	128,430	11,756	-	140,186
Accumulated Depreciation	<u>(2,269,424)</u>	<u>(251,788)</u>	-	<u>(2,521,212)</u>
<u>Total</u>	<u>4,985,255</u>	<u>(235,427)</u>	<u>-</u>	<u>4,749,828</u>

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 CAPITAL ASSETS (Continued)

Business – Type Activities Depreciation Expense:

Santa Fe Trail Ranch Metropolitan District	<u>251,788</u>
<u>Total Depreciation Expense – Business Type Activities</u>	<u>251,788</u>

NOTE 3 CASH DEPOSITS

The District's deposits at year end were covered by Federal depository insurance or secured under the Public Deposit Protection act of the State of Colorado, whereby custodial banks pledge collateral for amounts in excess of the amount guaranteed by the FDIC for governmental entities.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured	500,000	500,000
Uninsured, Collateralized	85,262	80,921
Cash on Hand	-	100
<u>Total Cash Deposits</u>	<u>585,262</u>	<u>581,021</u>

As presented above deposits with a bank balance of \$85,262 and a carrying balance of \$80,921 as of December 31, 2020 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

NOTE 4 LONG-TERM DEBT SCHEDULE

Schedule of Changes in Long Term Debt

	<u>Balance</u> <u>Jan. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Current</u> <u>Portion</u>
2017 General Obligation Loan	<u>2,840,000</u>	-	<u>200,000</u>	<u>2,640,000</u>	<u>205,000</u>
	<u>2,840,000</u>	-	<u>200,000</u>	<u>2,640,000</u>	<u>205,000</u>

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 LONG-TERM DEBT (Continued)

Tax-Exempt General Obligation Loan, Series 2017

On August 2, 2016 the Metro District entered into a General Obligation Loan in the amount of \$3,410,000 with NBH Bank for the purpose of securing financing for the construction of a new bridge. The loan is for 15 years with a fixed interest rate of 2.84%. Interest payments are due on February 1 and August 1 of each year with principal payments due August 1 of each year commencing in 2017. The District maintained a debt service reserve of \$288,150 as required by the loan.

Accrued interest on the note was \$24,922 at December 31, 2020. Interest payments will be calculated based on the total principal amounts drawn on the note.

Below is the principal payment schedule required by the loan agreement:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	205,000	74,976	279,976
2022	210,000	69,154	279,154
2023	220,000	63,190	283,190
2024	225,000	56,942	281,942
2025	235,000	50,552	285,552
2026	240,000	43,878	283,878
2027	245,000	37,062	282,062
2028	250,000	30,104	280,104
2029	260,000	23,004	283,004
2030	265,000	15,620	280,620
2031	<u>285,000</u>	<u>8,094</u>	293,094
	<u>2,640,000</u>	<u>472,576</u>	

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 COMMITMENTS

The Metro District purchases water from the City of Trinidad under a water service contract. The District meters water usage by individual customers and bills users in amounts adequate to pay for the water purchase as well as defray the costs associated with reading meters, billing, collecting and system maintenance and operations. Under the agreement, customers tapping onto the District system will be required to pay a fee to the District to cover the District's cost of physical connection and meter installation. The District is also liable to the City of Trinidad for a Plant Investment Fee and a Water Resource Fee for each tap. Customers will be responsible for paying these fees to the District.

NOTE 6 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 7 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS (Continued)

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

The District's management believes it is in compliance with the provisions of TABOR which are applicable to this entity. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits (and qualification as an Enterprise) will require judicial interpretation.

NOTE 8 SUPPLEMENTAL CASH FLOW INFORMATION

The interest expense incurred on debt for the year ended December 31, 2020 was \$71,523. Cash paid was \$80,656.

NOTE 9 RELATED PARTY DISCLOSURE

Previous to the formation of the Metro District, the Santa Fe Trail Ranch Property Owners Association (the Association) had collected funds from property owners for the purpose of construction and acquisition of telephone and water transmission systems. In 2000, the Association transferred assets consisting of cash, receivables and fixed assets to the District. These assets all related to the acquisition and construction of systems that would be completed and operated by the Metro District. The assets transferred were 1) cash of \$51,230, 2) property owner receivables for phone and water assessments of \$26,263, and 3) \$691,005 of construction costs associated with the water system construction (estimated as fair value in the hands of the District). Contributed capital of \$768,498 was recorded on the District's financial statements to recognize the value of these transferred assets.

In 2015, the Association transferred a bridge to the Metro District. Contributed capital of \$21,640 was recorded on the Metro Districts books.

In 2016, the Association contributed \$48,484 towards the cost of the new bridge.

The Association, having the authority to assess property owners in the District (under the corporate by-laws of the Association and under the "Declaration of Protective Covenants, Conditions and Restrictions for Santa Fe Trail Ranch") agreed to and made a special assessment for the purpose of payment of principal and interest on the District bonds. Under an agreement between the Association and the District, the assessment is assigned to the District and constitutes "Gross Revenue" available for the payment of the General Obligation Bonds of the District now outstanding.

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 10 TRANSFER OF COMMUNICATION INFRASTRUCTURE

An agreement was entered into in August of 1998 between Santa Fe Trail Ranch Property Owners Association (“the Association”) and US West for the development and delivery of telephone and broadband services to all properties in the residential development. The agreement called for the Association to pay for the materials and other costs associated with the implementation of this infrastructure and transfer the title to these assets back to US West upon completion of the project. In return, US West agreed to maintain these assets and provide communication services to each homesite within the development. Prior to completion, the Association contributed these assets to the Santa Fe Trail Ranch Metropolitan District. The project was subsequently completed and per the original agreement, Santa Fe Trail Metropolitan District transferred title of the communication project assets with a depreciated value of \$433,338 to US West.

NOTE 11 ACCOUNTS RECEIVABLE/ADVANCED ASSESSMENTS

Accounts receivable at December 31, 2020 is made up of \$19,479 in assessments receivable and \$27,265 for water usage and other. The District has the ability to put a lien on properties that are in arrears on assessments. Because of the capability, there is no allowable recorded against the receivables at this time.

NOTE 12 BUDGET TO ACTUAL COMPARISONS (NON-GAAP BASIS)

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>Revenues</u>	<u>531,807</u>	503,753	<u>(28,054)</u>
<u>Expenses</u>	<u>596,760</u>	<u>561,057</u>	<u>35,703</u>
		(57,304)	
<u>Items to Reconcile to Net Income (GAAP):</u>			
Depreciation and Amortization		(251,788)	
Bond Principal		<u>200,000</u>	
<u>Net Income (Loss) – GAAP Basis</u>		<u>(109,092)</u>	

SUPPLEMENTAL INFORMATION

SANTA FE TRAIL RANCH METROPOLITAN DISTRICT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON-GAAP) AND ACTUAL
Year Ended December 31, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>Operating Revenues</u>			
Water Sales	86,000	94,928	8,928
Plant Investment Fees	17,100	11,400	(5,700)
Owner Assessments	378,303	379,747	1,444
Interest Income	2,400	1,949	(451)
Water Tap	6,000	4,000	(2,000)
Other	<u>42,004</u>	<u>11,729</u>	<u>(30,275)</u>
<u>Total Operating Revenues</u>	<u>531,807</u>	<u>503,753</u>	<u>(28,054)</u>
<u>Operating Expenses</u>			
Legal	2,000	1,822	178
Professional Fees	39,400	33,138	6,262
Administration	30,000	30,059	(59)
Insurance	3,000	4,290	(1,290)
Other General and Administrative	47,604	6,545	41,059
Repairs	55,000	92,482	(37,482)
Utilities / Storage	92,000	109,798	(17,798)
Plant Investment Fees	17,100	11,400	5,700
Debt Principal and Interest	280,656	271,523	9,133
Contingency	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<u>Total Expenses</u>	<u>596,760</u>	<u>561,057</u>	<u>35,703</u>
Revenues Over (Under) Expenses	<u>(64,953)</u>	<u>(57,304)</u>	
<u>Items to Reconcile to Net Income (GAAP)</u>			
Depreciation and Amortization		(251,788)	
Bond Principal		<u>200,000</u>	
		<u>(109,092)</u>	