

**Two Rivers Metropolitan District  
Gypsum, Colorado**

**Financial Statements  
December 31, 2020**

**Two Rivers Metropolitan District  
Financial Report  
December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Two Rivers Metropolitan District  
Gypsum, Colorado**

### ***Report on the Financial Statements***

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

### ***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 of 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.

*Member: American Institute of Certified Public Accountants*

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**To the Board of Directors  
Two Rivers Metropolitan District**

***Opinions***

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

***Other Matters***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis in Section B 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison information found in Section F is presented for purposes of additional analysis and is not a required part of the financial statements. The individual fund budgetary comparison information found in Section F is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
September 28, 2021**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Two Rivers Metropolitan District

## Management's Discussion and Analysis December 31, 2020

As management of the Two Rivers Metropolitan District ("District") we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statement, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes.)

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and interest on long-term debt. The business-type activities of the District are water and sewer operations.

The government-wide financial statements can be found on pages C1 and C2 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds, and proprietary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Overview of the Financial Statements (continued)

The District adopts an annual appropriated budget for each fund as required by Colorado statutes. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

**Proprietary funds:** The District maintains two proprietary funds. The District uses the Water and Sewer Fund to account for its water and sewer activities and the Infrastructure/Recreation Fund to account for infrastructure and recreational activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages C6 through C8 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

**Government-wide Financial Analysis**

The following tables show condensed financial information derived from the government-wide financial statements for the year ended December 31, 2020.

**Two Rivers Metropolitan District's Net Position**

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>						
Current and other assets	\$ 317,893	\$ 1,511,244	\$ 1,829,137	\$ 242,298	\$ 1,394,058	\$ 1,636,356
Internal balances	-	-	-	-	-	-
Capital assets	2,342,085	2,865,296	5,207,381	2,508,799	3,008,027	5,516,826
<b>Total Assets</b>	<b>2,659,978</b>	<b>4,376,540</b>	<b>7,036,518</b>	<b>2,751,097</b>	<b>4,402,085</b>	<b>7,153,182</b>
<b>Liabilities:</b>						
Long-term liabilities	2,961,290	2,046,591	5,007,881	2,961,290	2,046,591	5,007,881
Other liabilities	57,315	-	57,315	39,196	1,000	40,196
<b>Total Liabilities</b>	<b>3,018,605</b>	<b>2,046,591</b>	<b>5,065,196</b>	<b>3,000,486</b>	<b>2,047,591</b>	<b>5,048,077</b>
<b>Deferred Inflows:</b>						
Property Taxes	120,527	-	120,527	112,537	-	112,537
<b>Net Position:</b>						
Net investment in capital assets	(180,915)	1,065,296	884,381	(14,201)	1,208,027	1,193,826
Restricted for emergencies	8,812	-	8,812	7,584	-	7,584
Unrestricted (deficit)	(246,937)	1,204,538	957,601	(355,309)	1,146,467	791,158
<b>Total Net Assets (Deficit)</b>	<b>\$ (419,040)</b>	<b>\$ 2,269,834</b>	<b>\$ 1,850,794</b>	<b>\$ (361,926)</b>	<b>\$ 2,354,494</b>	<b>\$ 1,992,568</b>

At the end of the year, The District's net position in the governmental activities had a negative balance due to capital assets being depreciated more rapidly than the related debt is being paid. The business-type activities reported a positive balance due to the contribution of infrastructure assets by the developer in excess of related debt.

## Two Rivers Metropolitan District's Change in Net Assets

	2020			2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ -	\$ 409,341	\$ 409,341	\$ 49,536	\$ 320,315	\$ 369,851
Grants and contributions	-	140,730	140,730	-	321,048	321,048
General revenues:						
Property taxes	112,532	-	112,532	177,475	-	177,475
Other taxes	173,466	-	173,466	106,039	-	106,039
Other income	6,834	-	6,834	13,521	-	13,521
Interest	-	-	-	-	-	-
Transfers	(5,000)	5,000	-	83,882	(83,882)	-
<b>Total Revenues</b>	<u>287,832</u>	<u>555,072</u>	<u>842,904</u>	<u>430,453</u>	<u>557,481</u>	<u>987,934</u>
<b>Expenses:</b>						
General government	344,946	-	344,946	523,471	-	\$ 523,471
Interest on long-term debt	-	-	-	1,090	-	1,090
Water and sewer operations	-	465,045	465,045	-	358,269	358,269
Recreation operations	-	174,686	174,686	-	-	\$ -
<b>Total Expenses</b>	<u>344,946</u>	<u>639,731</u>	<u>984,677</u>	<u>524,561</u>	<u>358,269</u>	<u>882,830</u>
<b>Change in Net Assets</b>	<u>(57,114)</u>	<u>(84,659)</u>	<u>(141,773)</u>	<u>(94,108)</u>	<u>199,212</u>	<u>105,104</u>
<b>Net Assets (Deficit) - Beginning</b>	<u>(361,926)</u>	<u>2,354,493</u>	<u>1,992,567</u>	<u>(267,818)</u>	<u>2,155,281</u>	<u>1,887,463</u>
<b>Net Assets (Deficit) - Ending</b>	<u>\$ (419,040)</u>	<u>\$ 2,269,834</u>	<u>\$ 1,850,794</u>	<u>\$ (361,926)</u>	<u>\$ 2,354,493</u>	<u>\$ 1,992,567</u>

### Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's funds follows.

**Governmental funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$202,771, an increase of \$110,446 from the prior year. This increase is primarily the result of a large increase in the collection of sales taxes due to a recent change in sales tax laws and an increase in online purchasing due to the COVID pandemic. The increase is also the result of a reduction of expenses in the general fund. Of the fund balance, \$8,812 is restricted for emergencies, meaning it is not available for new spending because it has already been committed for emergencies under the Taxpayers' Bill of Rights (TABOR) and \$18,740 is non-spendable as it represents amounts that have already been prepaid toward future periods operations.

**Proprietary funds:** The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets for the proprietary funds was \$1,204,538 at the end of 2020. These unrestricted net assets resulted from water and sewer tap fees which are being accumulated to make improvements to the District's water and wastewater systems.

### General Fund Budgetary Highlights:

**Original budget compared to final budget:** The District amended the General Fund budget during 2020 due to variances in allocated expenditures from original projections. Details can be seen on pages E1 and F1 for the governmental funds and pages F2 and F3 for the proprietary funds.

**Final budget compared to actual results:** The most significant difference between the final budget and actual was that transfers out of the General Fund were not made resulting in a positive variance in the General Fund.

**Capital assets:** During the District invested \$15,603 in capital assets in the governmental activities and \$16,562 in the business-type activities. Depreciation expense of \$182,618 was recognized in the governmental activities and \$159,292 in the business-type activities. Additional information as well as a classification of the District's capital assets can be found in the Note III C to the Financial Statements.

**Long-term debt:** The District's long-term liabilities consist primarily of obligations payable to the developer of the District for construction of infrastructure in the District and to a lesser extent for prior years' operating advances. The District's only other long-term obligation is for accrued vacation payable for the District's employees. There were no changes in the developer obligations in 2020 and the accrued vacation payable increased by \$846 in 2020. Additional information can be found in the Note III E to the Financial Statements.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Two Rivers Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632, phone (970) 926-6060 or by email to [admin@mwcpaa.com](mailto:admin@mwcpaa.com).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Two Rivers Metropolitan District**  
**Statement of Net Position**  
**December 31, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments	197,861	1,371,179	1,569,040
Receivables:			
Property tax	120,527	-	120,527
Other	40,879	79,950	120,829
Prepaid expenses	18,740	-	18,740
Capital assets, net of accumulated depreciation, where applicable	2,342,085	2,865,296	5,207,381
<b>Total Assets</b>	<u>2,720,092</u>	<u>4,316,425</u>	<u>7,036,517</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	55,290	-	55,290
Unearned ground lease rent	2,025	-	2,025
<b>Total Current Liabilities</b>	<u>57,315</u>	<u>-</u>	<u>57,315</u>
<b>Non-current Liabilities:</b>			
Due to Developer:			
Operating advances	438,290	246,591	684,881
Infrastructure purchased	2,523,000	1,800,000	4,323,000
<b>Total Non-Current Liabilities</b>	<u>2,961,290</u>	<u>2,046,591</u>	<u>5,007,881</u>
<b>Total Liabilities</b>	<u>3,018,605</u>	<u>2,046,591</u>	<u>5,065,196</u>
<b>Deferred Inflows of Resources:</b>			
Property tax revenue	120,527	-	120,527
<b>Total Deferred Inflows of Resources</b>	<u>120,527</u>	<u>-</u>	<u>120,527</u>
<b>Net Position:</b>			
Net investment in capital assets	(180,915)	1,065,296	884,381
Restricted for emergencies	8,812	-	8,812
Unrestricted (deficit)	(246,937)	1,204,538	957,601
<b>Total Net Position</b>	<u>(419,040)</u>	<u>2,269,834</u>	<u>1,850,794</u>

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



## **FUND FINANCIAL STATEMENTS**

**Two Rivers Metropolitan District  
Balance Sheet  
Governmental Funds  
December 31, 2020**

	<b>General</b>	<b>Sales Tax</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and investments	197,861	-	197,861
Due from (to) other funds	22,010	(22,010)	-
Receivables:			
Property taxes assessed but not collected	120,527	-	120,527
Due from County Treasurer	450	-	450
Due from other governments	-	40,429	40,429
Prepaid expenses	18,740	-	18,740
<b>Total Assets</b>	<b>359,588</b>	<b>18,419</b>	<b>378,007</b>
 <b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	52,684	-	52,684
Unearned ground lease rent	2,025	-	2,025
<b>Total Liabilities</b>	<b>54,709</b>	<b>-</b>	<b>54,709</b>
 <b>Deferred Inflows of Resources:</b>			
Property tax revenue	120,527	-	120,527
<b>Total Deferred Inflows of Resources</b>	<b>120,527</b>	<b>-</b>	<b>120,527</b>
 <b>Fund Balances:</b>			
Non-spendable	18,740	-	18,740
Restricted for emergencies	3,775	5,036	8,812
Unassigned	161,837	13,383	175,219
<b>Total Fund Balances</b>	<b>184,352</b>	<b>18,419</b>	<b>202,771</b>
 <b>Total Liabilities and Fund Balances</b>	<b>359,588</b>	<b>18,419</b>	

**Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,342,085
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued vacation	(2,606)
Developer operating advances	(438,290)
Developer financed infrastructure acquisitions	(2,523,000)
<b>Net Position of Governmental Activities</b>	<b>(419,040)</b>

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

**Two Rivers Metropolitan District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2020**

	<u>General</u>	<u>Sales Tax</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	118,123	167,875	285,998
Rent	895	-	895
Other	6,831	3	6,834
<b>Total Revenues</b>	<u>125,849</u>	<u>167,878</u>	<u>293,727</u>
<b>Expenditures:</b>			
Administration and operations	28,822	149,459	178,281
<b>Total Expenditures</b>	<u>28,822</u>	<u>149,459</u>	<u>178,281</u>
<b>Excess of Revenues Over Expenditures</b>	<u>97,027</u>	<u>18,419</u>	<u>115,446</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	(5,000)	-	(5,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
<b>Net Change in Fund Balances</b>	92,027	18,419	110,446
<b>Fund Balances - Beginning</b>	<u>92,325</u>	<u>-</u>	<u>92,325</u>
<b>Fund Balances - Ending</b>	<u><u>184,352</u></u>	<u><u>18,419</u></u>	<u><u>202,771</u></u>

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

**Two Rivers Metropolitan District  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2020**

<b>Net Change in Fund Balances of Governmental Funds</b>	110,446
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Depreciation of capital assets	(182,318)
Capital outlay	15,603

The issuance of long-term debt (e.g., bonds, notes, and leases) 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. Neither transaction, however, has any effect on net position.

Change in accrued vacation	(845)
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<b>Change in Net Position of Governmental Activities</b>	(57,114)
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**Two Rivers Metropolitan District**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2020**

	<u>Water and Sewer</u>	<u>Infrastructure / Recreation</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and investments	1,428,566	(57,387)	1,371,179
Accounts receivable	40,980	38,970	79,950
<b>Total Current Assets</b>	<u>1,469,546</u>	<u>(18,417)</u>	<u>1,451,129</u>
<b>Non-Current Assets:</b>			
Capital assets, net of accumulated depreciation	2,695,296	-	2,695,296
Water rights	170,000	-	170,000
<b>Total Non-Current Assets</b>	<u>2,865,296</u>	<u>-</u>	<u>2,865,296</u>
<b>Total Assets</b>	<u>4,334,842</u>	<u>(18,417)</u>	<u>4,316,425</u>
<b>Liabilities:</b>			
<b>Long-term Liabilities:</b>			
Due to developer - operating advances	246,591	-	246,591
Due to developer - infrastructure purchased	1,800,000	-	1,800,000
<b>Total Long-Term Liabilities</b>	<u>2,046,591</u>	<u>-</u>	<u>2,046,591</u>
<b>Total Liabilities</b>	<u>2,046,591</u>	<u>-</u>	<u>2,046,591</u>
<b>Net Position:</b>			
Net investment in capital assets	1,065,296	-	1,065,296
Unrestricted	1,222,955	(18,417)	1,204,538
<b>Total Net Position</b>	<u>2,288,251</u>	<u>(18,417)</u>	<u>2,269,834</u>

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

**Two Rivers Metropolitan District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<u>Water and Sewer</u>	<u>Infrastructure / Recreation</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for fees and services	345,163	52,185	397,348
Finance charges	11,993	-	11,993
<b>Total Operating Revenues</b>	<u>357,156</u>	<u>52,185</u>	<u>409,341</u>
<b>Operating Expenses:</b>			
Administrative	13,621	-	13,621
Operations	80,094	-	80,094
Community center improvements	-	106,713	106,713
Repairs and maintenance	29,205	25,541	54,746
Utilities	32,529	7,241	39,770
Sludge hauling	64,680	-	64,680
Community park lease	-	6,650	6,650
Expense allocation from other fund	85,624	28,541	114,165
Depreciation	159,292	-	159,292
<b>Total Operating Expenses</b>	<u>465,045</u>	<u>174,686</u>	<u>639,731</u>
<b>Operating (Loss)</b>	<u>(107,889)</u>	<u>(122,501)</u>	<u>(230,390)</u>
<b>Contributions:</b>			
Tap fees	101,760	-	101,760
Payroll sharing income from TRHOA	-	38,970	38,970
<b>Total Contributions</b>	<u>101,760</u>	<u>38,970</u>	<u>140,730</u>
<b>Income before Transfers</b>	(6,129)	(83,531)	(89,660)
<b>Transfers</b>	<u>(60,114)</u>	<u>65,114</u>	<u>5,000</u>
<b>Change in Net Position</b>	(66,243)	(18,417)	(84,660)
<b>Total Net Position - Beginning</b>	<u>2,354,494</u>	<u>-</u>	<u>2,354,494</u>
<b>Total Net Position - Ending</b>	<u><u>2,288,251</u></u>	<u><u>(18,417)</u></u>	<u><u>2,269,834</u></u>

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

**Two Rivers Metropolitan District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2020**

	<b>Water and Sewer</b>	<b>Infrastructure / Recreation</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and others	323,686	52,185	375,871
Cash payments for goods and services	(305,753)	(174,686)	(480,439)
<b>Net Cash (Used) by Operating Activities</b>	17,933	(122,501)	(104,568)
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers from other fund	(60,114)	65,114	5,000
<b>Net Cash Provided by Non-Capital Financing Activities</b>	(60,114)	65,114	5,000
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Cash paid for capital additions	(16,562)	-	(16,562)
Tap fees received	101,760	-	101,760
<b>Net Cash Provided by Capital and Related Financing Activities</b>	85,198	-	85,198
<b>Net Change in Cash</b>	43,017	(57,387)	(14,370)
<b>Cash and Investments - Beginning</b>	1,385,549	-	1,385,549
<b>Cash and Investments - Ending</b>	1,428,566	(57,387)	1,371,179
<b>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating (loss)	(107,889)	(122,501)	(230,390)
<b>Adjustments to reconcile operating (loss) to net cash provided by operating activities:</b>			
Depreciation	159,292	-	159,292
(Increase) decrease in interfund balances	-	-	-
(Increase) in accounts receivable	(32,470)	-	(32,470)
(Increase) in customer deposits	(1,000)	-	(1,000)
<b>Total Adjustments</b>	125,822	-	125,822
<b>Net Cash (Used) by Operating Activities</b>	17,933	(122,501)	(104,568)

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020**

**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Two Rivers Metropolitan District (the "District") is a quasi-municipal corporation and a political subdivision of the State of Colorado.

The service plan, (the "Service Plan"), submitted in accordance with the Colorado Special District Act, sets forth the formation of the District, comprising approximately 175 acres located in the Dotsero area of unincorporated Eagle County, Colorado. The District was formed to assist in the funding, integration and coordination of metropolitan district services and facilities for the proposed Two Rivers Village Development (the "Community"). The Service Plan was approved August 10, 1998 by Eagle County.

The Community is located in western Eagle County, approximately 6.5 miles west of the Town of Gypsum, near the community of Dotsero and just south of Interstate Highway 70, near the confluence of the Colorado and Eagle Rivers.

The District includes approximately 175 acres. At full build out, it is anticipated that the District will contain approximately (i) 261 residential lots which will be developed for manufactured home residential housing units; (ii) 60 residential condominium units; (iii) 20 residential apartment units; (iv) 5 single family homes; and (v) 5,000 square feet of non-residential space which will be used for retail and office purposes. It is estimated that the population of the District will be approximately 1,215 persons based on three persons per residential living unit.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

**Two Rivers Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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. Other items not properly included among program revenues are reported instead as *general revenues*.

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

**C. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 District, except those required to be accounted for in another fund.

The *Sales Tax Fund* accounts for sales tax revenue and maintenance expenditures that the sales tax revenue is restricted for.

**Two Rivers Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

The District reports the following proprietary funds:

The *Water and Sewer Fund* accounts for the activities of the water and sewer operations.

The *Infrastructure / Recreation Fund* accounts for the activities of maintaining and improving infrastructure in the community.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Water and Sewer Fund are charges for water and sewer fees. The principal operating revenues of the District's Infrastructure / Recreation Fund are charges for infrastructure fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The trade and property taxes receivable are shown net of uncollectibles. All receivables at December 31, 2020 are considered collectible and, therefore, an allowance for uncollectible taxes and trade receivables has not been recorded.

**E. Prepaid Expense**

Prepaid expenses are amounts paid in the current year for expenses related to the subsequent year.

**Two Rivers Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**F. Capital Assets**

The initial capitalized assets of the governmental activities and business-type activities are recorded at historical cost. The reported values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the asset or extend its useful life beyond then original estimates.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets ranging from 20 to 30 years.

**G. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financials statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**H. Deferred Outflows and Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for "deferred inflows of resources." Deferred inflows of resources represent property taxes levied in the current period to be collected in future periods. The District reports property taxes as deferred inflows of resources in the period the property taxes are levied.

**I. Fund Balance**

The District classifies governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

*Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020  
(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**I. Fund Balance (continued)**

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and management calculates targets and reports them annually to Board of Directors.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, as required by Colorado Statutes.

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). The budget for the proprietary funds is adopted on a Non-GAAP budgetary basis and are reconciled to GAAP basis on the budget to actual statements and as presented below:

	<u>Water and Sewer Fund</u>	<u>Infrastructure / Recreation Fund</u>	<u>Total</u>
<b>Net Change in Available Resources</b>	\$ 76,488	(18,418)	58,070
<b>Reconciliation to GAAP Basis:</b>			
Capital outlay	16,561	-	16,561
Depreciation	(159,292)	-	(159,292)
<b>Change in Net Position - GAAP Basis</b>	<u>\$ (66,243)</u>	<u>\$ (18,418)</u>	<u>\$ (84,661)</u>

As required by Colorado Statutes, the District followed this timetable in approving and enacting a budget for the ensuing year.

- (1) For the 2020 budget, prior to August 25, 2019, the County Assessor sent to the District a certified assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, 2019, only once by a single notification to the District.
- (2) On or before October 15, 2019, the Budget Director submitted to the District's Board of Directors a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) Prior to December 15, 2019, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

**Two Rivers Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

- (4) After a required publication of “Notice of Proposed Budget” and a public hearing, the District adopted the proposed budget and an appropriating resolution, which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) supplemental appropriations to the extent of revenues in excess of the estimate in the budget; (c) emergency appropriations; and (d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year-end.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2020 will be collected in 2021. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized by the District because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved a portion of its December 31, 2020, year-end fund balances for emergencies in the amount of which is the approximate required reserve at December 31, 2020.

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020  
(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District's electorate approved that the District be authorized to collect, retain, and spend all revenues collected from the District's property tax rate of 20 mills, and from all other funds and sources, commencing January 1, 1999, and continuing thereafter, as a voter-approved revenue change, offset, and an exception to the limits which would otherwise apply under Article X, Section 20 of the Colorado Constitution and as a permanent waiver of the 5.5% limitation under Section 29-1-301, C.R.S.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

**C. Gallagher Amendment**

The Gallagher Amendment requires 45% of property tax collected to come from residential property, and 55% to come from commercial property. Further, the Amendment requires that the commercial assessment rate applied to actual values be fixed at 29% with the residential assessment rate ("RAR") to be adjusted to hold the 45/55 split constant. Because of the increase in residential property values, the RAR has historically trended downward, which, in combination with TABOR's set mill levy rate, may limit the amount of property taxes the District can generate annually.

The RAR is adjusted during years of reappraisal to maintain a consistent ratio between the total statewide assessed values of residential and commercial property. In 2019, the State Legislature lowered the RAR to 7.15% for the 2019-2020 assessment period. This is a 1% reduction in RAR from the prior assessment period. The impact on the District, if any, of future changes to the RAR cannot be determined at this time.

In November 2020, Colorado voters approved Amendment B which repealed the Gallagher Amendment. Amendment B will go into effect for the property tax assessment year 2020 for property tax revenue collections in 2021.

**III. Detailed Notes on All Funds**

**A. Deposits**

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 coverage provided by the Federal Depository Insurance Corporation ("FDIC") must be collateralized. The eligible collateral is determined by Colorado's Public Deposit Protection Act ("PDPA"). The 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 equal to the aggregate uninsured deposits.

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**A. Deposits (continued)**

The State Regulatory Commissions 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.

The District's deposits are entirely covered by Federal Depository Insurance Corporation ("FDIC") or by the collateral held under. The FDIC insures the first \$250,000 of the District's deposits at each financial institution. At December 31, 2020, the District's carrying amount of demand deposits was \$6,855 at year end.

*Investments*

The District's Investment Pool consists solely of investments in ColoTrust. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2020 the District had the following investments:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
ColoTrust	1,562,184

- (1) **Interest Rate Risk.** As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.
  
- (2) **Credit Risk.** State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.
  
- (3) **Concentration of Credit Risk.** The District diversifies its investments by security type and institution.

For purposes of the cash flow statement, the District considers investments on demand (e.g. ColoTrust) and with a maturity date of three months or less to be cash equivalents.

Investments may only be made in those financial institutions which are insured by the Federal Deposit Insurance Corporation, the Federal Home Mortgage Association, the Federal Savings and Loan Insurance Corporation, congressionally authorized mortgage lenders and investments that are federally guaranteed. Financial institutions holding District funds must provide the District with a statement of collateral in the form of a listing of securities pledged, and a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository. Colorado's PDPA requirement noted above mitigates concentration of credit risk.

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**B. Receivables**

Receivables as of year-end for the government's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Water and Sewer Fund</u>	<u>Infrastructure / Recreation Fund</u>	<u>Total</u>
Property taxes	\$ 120,527	-	-	-	120,527
Due from Two Rivers HOA	-	-	-	38,970	38,970
Due from other governments	-	40,429	-	-	40,429
Due from County Treasurer	450	-	-	-	450
Trade and other receivables	-	-	40,980	-	40,980
<b>Total</b>	<u>120,977</u>	<u>40,429</u>	<u>40,980</u>	<u>38,970</u>	<u>241,356</u>
Less: allowance for uncollectible accounts	-	-	-	-	-
<b>Net Total Receivables</b>	<u><u>\$ 120,977</u></u>	<u><u>40,429</u></u>	<u><u>40,980</u></u>	<u><u>38,970</u></u>	<u><u>241,356</u></u>

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**Two Rivers Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Roads, drainage and landscaping	\$ 4,109,137	-	-	4,109,137
Parks, recreation and open space	871,781	15,603	-	887,384
Total capital assets being depreciated	<u>4,980,918</u>	<u>15,603</u>	<u>-</u>	<u>4,996,521</u>
Less: Accumulated depreciation:				
Roads, drainage and landscaping	(1,856,049)	(136,971)	-	(1,993,020)
Parks, recreation and open space	(616,069)	(45,347)	-	(661,416)
Total accumulated depreciation	<u>(2,472,118)</u>	<u>(182,318)</u>	<u>-</u>	<u>(2,654,436)</u>
<b>Total Governmental Activities, Net</b>	<u>\$ 2,508,800</u>	<u>(166,715)</u>	<u>-</u>	<u>2,342,085</u>
 <b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Water rights	\$ 170,000	-	-	170,000
Total capital assets not being depreciated	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Capital assets being depreciated:				
Water system	1,748,580	-	-	1,748,580
Sewer system	3,102,317	16,561	-	3,118,878
Total capital assets being depreciated	<u>4,850,897</u>	<u>16,561</u>	<u>-</u>	<u>4,867,458</u>
Less: Accumulated depreciation:				
Water system	(768,310)	(58,745)	-	(827,055)
Sewer system	(1,244,560)	(100,547)	-	(1,345,107)
Total accumulated depreciation	<u>(2,012,870)</u>	<u>(159,292)</u>	<u>-</u>	<u>(2,172,162)</u>
<b>Total Business-type Activities, Net</b>	<u>\$ 3,008,027</u>	<u>(142,731)</u>	<u>-</u>	<u>2,865,296</u>

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 20 to 30 years. The depreciation expense was charged to the primary government as follows:

<b>Governmental Activities:</b>	
General government	<u>\$ (182,318)</u>
 <b>Business-type Activities:</b>	
Water and Sewer	<u>\$ (159,292)</u>

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**D. Interfund Balances, Transfers, and Allocation of Overhead**

**1. Transfers**

The General Fund and Water and Sewer Fund transferred \$5,000 and \$60,114, respectively, to the Infrastructure / Recreation Fund during 2020 to fund operations in the Infrastructure / Recreation Fund.

**2. Interfund Balances**

The District had interfund balances at December 31, 2020 as follows:

<b>Receivable Fund:</b>	<b>Amount</b>
General Fund	\$ 22,010
Water and Sewer Fund	-
Total	<b>\$ 22,010</b>

<b>Payable Fund:</b>	
Sales Tax Fund	22,010
Infrastructure / Recreation	-
Total	<b>\$ 22,010</b>

**3. Allocation of Overhead**

Overhead expenses incurred in the General Fund were allocated across all funds, with half of General Fund overhead expenses allocated to Water and Sewer Fund and one sixth of General Fund overhead expenses allocated to both the Sales Tax Fund and Infrastructure / Recreation Fund in 2020. Allocations of overhead expenses in December 31, 2020 are as follows:

<b>Overhead Allocations:</b>	<b>Amount</b>
Sales Tax Fund	\$ 28,541
Water and Sewer Fund	85,624
Infrastructure / Recreation Fund	28,541
Allocated from General Fund	<b>\$ 142,706</b>

**E. Long-term Debt**

**1. Developer Operating Advances**

The Developer has advanced to the District operating advances to provide the District with operating funds. The operating advances are to be repaid when the District has available resources to repay the operating advances. There is no interest due on these advances.

**2. Developer Infrastructure Acquisitions Payable**

Dotsero Realty Partners, LLP (the "Initial Developer"), financed the infrastructure of the District and in the year ended December 31, 2005, transferred the ownership of the infrastructure to the District. The electorate of the District on May 4, 2004 authorized debt in the aggregate total of \$4,800,000 to finance the acquisition of the District's infrastructure.

**Two Rivers Metropolitan District  
Notes to the Financial Statements  
December 31, 2020  
(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**2. Developer Infrastructure Acquisitions Payable (continued)**

On January 20, 2011, the District approved the assignment of the Infrastructure Acquisition Agreement from the Initial Developer to 2 Rivers Realty, L.P. (the "Current Developer").

The District has recorded as a long-term liability the purchase price of the infrastructure acquired from the Initial Developer. The District intends to pay the long-term liability from the net proceeds of limited tax general obligation bonds or tap fees if such tap fees are in excess of the District's needs. There is no interest due or accruing on the Developer infrastructure payable. It is uncertain as to when the District's assessed valuation of properties within the District will be sufficient to allow the issuance of the limited tax general obligation bonds.

**3. Tap Fee Revenue Sharing Agreement**

On January 18, 2010, the District entered into a Tap Fee Revenue Sharing Agreement (the "Agreement") with Dotsero Realty Partners, LLLP whereby the District shall remit 75% of future tap fees unless the District uses such tap fees 1) to repay any developer advances; and 2) to establish a reserve escrow up to \$416,000 for sewer improvements to the existing sewer plant and lift station, subject to adjustment as described in the Agreement. The value of the total available water capacity, at 75% of the current \$5,000 water tap fee is \$1,569,375. The value of the total available sewer capacity, at 75% of the current \$5,000 sewer tap fee is \$2,017,500.

On January 20, 2011, the District approved the assignment of the Agreement from Dotsero Realty Partners, LLLP to the 2 Rivers Realty, L.P.

**4. Schedule of Long-term Liabilities**

	<b>Balance at 12/31/19</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 12/31/20</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Developer operating advances	438,290	-	-	438,290	-
Developer infrastructure payable	2,523,000	-	-	2,523,000	-
Accrued vacation payable	1,760	846	-	2,606	-
<b>Total Governmental Activities</b>	<b>2,963,050</b>	<b>846</b>	<b>-</b>	<b>2,963,896</b>	<b>-</b>
	<b>Balance at 12/31/19</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 12/31/20</b>	<b>Due Within One Year</b>
<b>Business-type Activities:</b>					
Developer operating advances	246,591	-	-	246,591	-
Developer infrastructure payable	1,800,000	-	-	1,800,000	-
<b>Total Business-type Activities</b>	<b>2,046,591</b>	<b>-</b>	<b>-</b>	<b>2,046,591</b>	<b>-</b>

**Two Rivers Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**IV. Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The District has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The District is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions.

**B. Related Parties**

The Developer's representatives make up the majority of the members of the Board of Directors.

**C. Economic Dependency**

The District's Board of Directors is controlled by the Developer through December 31, 2020. The Developer operating advances through December 31, 2020 totaled an aggregate amount of \$684,881, which are due to the Developer. The District has financed its acquisition of the infrastructure of the District with a loan from the Developer with a balance at December 31, 2020 of \$4,323,000.

**D. Cost Sharing Agreement with Two Rivers Homeowners Association**

Effective January 1, 2020, the District and Two Rivers Homeowners Owners Association (TRHOA) entered a Cost Sharing Agreement. Under the agreement, the District will contract for services or hire an employee or employees to provide certain services and functions to the Two Rivers community as listed on Exhibit A of the agreement and that the cost of such services and functions shall be borne equally by the District and TRHOA. The agreement will renew annually until terminated by either party as set forth in the agreement.

TRHOA will reimburse TRMD for 50% of the cost of the services listed on Exhibit A of the agreement after applying a credit for the Excess Revenues as defined in the agreement, such credit to be applied over a multiple year period until a credit equal to the full amount of the Excess Revenues has been applied. The cost of the services will be invoiced periodically by TRMD but no less frequently than annually. Invoices submitted to TRHOA are due within 30 days of receipt. The total cost reimbursement from TRHOA to TRMD in 2020 was \$0.

**E. Infrastructure and Recreation Usage Fee**

The District's Board of Directors approved a resolution on April 14, 2020 to impose a monthly Infrastructure and Recreation Usage Fee of \$35 per lot, effective July 1, 2020.

The fee will be used to pay for road repairs, maintenance expenses, snow plowing, landscaping, and the design, construction, operation and maintenance of public park and recreation facilities and programs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Two Rivers Metropolitan District**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended December 31, 2020**  
**(With Comparative Totals For the Year Ended 2019)**

	2020			2019
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative) Actual
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	112,537	112,537	112,532	(5)
Sales taxes	-	-	-	-
Specific ownership taxes	5,064	5,064	5,591	527
<b>Total Taxes</b>	<u>117,601</u>	<u>117,601</u>	<u>118,123</u>	<u>522</u>
<b>Other:</b>				
Other income	10,848	6,452	6,831	379
Community Center rentals	7,468	1,045	895	(150)
Payroll sharing income from TRHOA	-	-	-	-
<b>Total Other</b>	<u>18,316</u>	<u>7,497</u>	<u>7,726</u>	<u>229</u>
<b>Total Revenues</b>	<u>135,917</u>	<u>125,098</u>	<u>125,849</u>	<u>751</u>
<b>Expenditures:</b>				
Utilities	1,248	1,884	1,812	72
Administrative expenses	10,738	10,665	6,126	4,539
Insurance expense	16,867	17,090	17,090	-
Furniture and supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Payroll and benefits	72,867	76,003	76,436	(433)
Professional services	70,040	76,607	69,649	6,958
Other expenses	6,500	415	415	-
Expense allocation to other fund	(73,130)	(149,406)	(142,706)	(6,700)
<b>Total Expenditures</b>	<u>105,130</u>	<u>33,258</u>	<u>28,822</u>	<u>4,436</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>30,787</u>	<u>91,840</u>	<u>97,027</u>	<u>5,187</u>
<b>Other Financing Sources (Uses):</b>				
Developer infrastructure contributions	-	-	-	-
Transfers in (out)	50,000	(80,000)	(5,000)	75,000
<b>Total Other Financing Sources (Uses)</b>	<u>50,000</u>	<u>(80,000)</u>	<u>(5,000)</u>	<u>75,000</u>
<b>Net Change in Fund Balance</b>	80,787	11,840	92,027	80,187
<b>Fund Balance - Beginning (Deficit)</b>	<u>34,551</u>	<u>92,325</u>	<u>92,325</u>	<u>-</u>
<b>Fund Balance - Ending (Deficit)</b>	<u>115,338</u>	<u>104,165</u>	<u>184,352</u>	<u>80,187</u>

**Two Rivers Metropolitan District  
Schedule of Revenues and Expenditures  
Budget and Actual - Sales Tax Fund  
For the Year Ended December 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>
<b>Revenues:</b>				
Sales Tax	120,000	120,000	167,875	47,875
Interest	-	-	3	3
<b>Total Revenues</b>	<u>120,000</u>	<u>120,000</u>	<u>167,878</u>	<u>47,878</u>
<b>Expenditures:</b>				
Repairs and maintenance	100,000	100,055	87,925	12,130
Utilities	6,584	6,584	5,725	859
Snowplowing	20,000	15,643	16,094	(451)
Community parking lot	-	11,378	11,174	204
Allocation of overhead	-	29,881	28,541	1,340
Cross walk project	-	7,000	-	7,000
<b>Total Expenditures</b>	<u>126,584</u>	<u>170,541</u>	<u>149,459</u>	<u>21,082</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(6,584)	(50,541)	18,419	68,960
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	67,710	-	(67,710)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>67,710</u>	<u>-</u>	<u>(67,710)</u>
<b>Net Change in Fund Balance</b>	(6,584)	17,169	18,419	1,250
<b>Fund Balance - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>(6,584)</u>	<u>17,169</u>	<u>18,419</u>	<u>1,250</u>

**SUPPLEMENTARY INFORMATION**

**Two Rivers Metropolitan District**  
**Schedule of Revenues, Expenses and Transfers**  
**Budget (Non-GAAP Basis) and Actual with Reconciliation to GAAP Basis**  
**Water and Sewer Fund**  
**For the Year Ended December 31, 2020**  
**(With Comparative Totals For the Year Ended 2019)**

	<u>2020</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2019</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>					
Water and sewer fees	350,400	351,866	345,163	(6,703)	295,035
Finance charges	26,057	14,704	11,993	(2,711)	25,280
Tap fees	165,352	101,760	101,760	-	321,048
<b>Total Revenues</b>	<u>541,809</u>	<u>468,330</u>	<u>458,916</u>	<u>(9,414)</u>	<u>641,363</u>
<b>Expenditures:</b>					
<b>Operation:</b>					
Plant operator	72,718	72,556	66,476	6,080	65,540
Permits and fees	12,885	12,873	10,619	2,254	290
Meter expenses	12,835	12,835	6,206	6,629	11,643
Engineering	6,635	8,903	7,412	1,491	5,115
Legal	-	3,500	3,002	498	3,211
Repairs and maintenance	26,165	26,610	29,205	(2,595)	15,598
Utilities	35,638	36,861	32,529	4,332	29,583
Sludge hauling	75,957	72,281	64,680	7,601	57,825
Expense allocation from other fund	73,130	89,643	85,624	4,019	74,873
Contingency	12,500	-	-	-	-
<b>Total Operation Expenditures</b>	<u>328,463</u>	<u>336,062</u>	<u>305,753</u>	<u>30,309</u>	<u>263,678</u>
<b>Capital:</b>					
Infrastructure	682,000	45,000	16,561	28,439	34,671
<b>Total Capital Expenditures</b>	<u>682,000</u>	<u>45,000</u>	<u>16,561</u>	<u>28,439</u>	<u>34,671</u>
<b>Total Expenditures</b>	<u>1,010,463</u>	<u>381,062</u>	<u>322,314</u>	<u>58,748</u>	<u>298,349</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(468,654)</u>	<u>87,268</u>	<u>136,602</u>	<u>49,334</u>	<u>343,014</u>
<b>Transfers:</b>					
Transfer out	(50,000)	(67,710)	(60,114)	49,334	(20,000)
<b>Total Transfers</b>	<u>(50,000)</u>	<u>(67,710)</u>	<u>(60,114)</u>	<u>49,334</u>	<u>(20,000)</u>
<b>Net Change in Available Resources</b>	<u>(518,654)</u>	<u>19,558</u>	<u>76,488</u>	<u>98,668</u>	<u>323,014</u>
<b>Reconciliation to GAAP Basis:</b>					
Capital outlay			16,561		34,671
Loss on disposal of assets			-		(2,953)
Depreciation			(159,292)		(155,519)
<b>Change in Net Position - GAAP Basis</b>			<u>(66,243)</u>		<u>199,213</u>

**Two Rivers Metropolitan District  
Schedule of Revenues and Expenditures  
Budget and Actual - Infrastructure and Recreation Fund  
For the Year Ended December 31, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Final Budget Variance Positive (Negative)</b>
<b>Revenues:</b>				
Infrastructure and recreation fees	-	52,290	52,185	(105)
Payroll sharing income from TRHOA	48,577	41,776	38,970	(2,806)
<b>Total Revenues</b>	<u>48,577</u>	<u>94,066</u>	<u>91,155</u>	<u>(2,911)</u>
<b>Expenditures:</b>				
<b>Operation:</b>				
Community center improvements	84,000	105,500	106,713	(1,213)
Community center utilities	10,629	8,213	6,201	2,012
Community center repairs and maintenance	9,575	19,131	14,817	4,314
Utilities	4,392	1,200	1,040	160
Repairs and maintenance	21,004	3,460	3,524	(64)
Cleaning	11,700	7,200	7,200	-
Community park lease	-	6,650	6,650	-
Allocation of overhead	-	29,881	28,541	1,340
Miscellaneous	10,000	10,000	-	10,000
<b>Total Operation Expenditures</b>	<u>151,300</u>	<u>191,235</u>	<u>174,686</u>	<u>16,549</u>
<b>Total Expenditures</b>	<u>151,300</u>	<u>191,235</u>	<u>174,686</u>	<u>16,549</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(102,723)</u>	<u>(97,169)</u>	<u>(83,531)</u>	<u>13,638</u>
<b>Transfers:</b>				
Transfer in	-	80,000	65,114	-
<b>Total Transfers</b>	<u>-</u>	<u>80,000</u>	<u>65,114</u>	<u>-</u>
<b>Net Change in Available Resources</b>	<u>(102,723)</u>	<u>(17,169)</u>	<u>(18,417)</u>	<u>13,638</u>