

CATAMOUNT METROPOLITAN DISTRICT
ROUTT COUNTY, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2021



Crady, Puca & Associates

Certified Public Accountants & Consultants

**CATAMOUNT METROPOLITAN DISTRICT
ROUTT COUNTY, COLORADO**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Catamount Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Catamount Metropolitan District as of and for the year ended December 31, 2021, and related notes to the financial statements, which collectively comprise Catamount Metropolitan District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Catamount Metropolitan District as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through vi be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Crady, Puca & Associates

Aurora, Colorado
May 9, 2022

Catamount Metropolitan District

Management's Discussion and Analysis December 31, 2021

As management of Catamount 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, 2021.

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 are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

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. Current year to prior year comparisons are presented below to help users evaluate the results of the District over the past two years.

The Statement of Net Position presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference between them 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.

The governmental activities of the District relate to the operation and maintenance of the roadway, lake, domestic water treatment and certain sewage disposal and septic systems in the District. The government-wide financial statements can be found on pages 1 and 2 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. The District uses only a governmental fund.

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. The governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements can be found on pages 3-5 of this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 6 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 starting on page 7 of this report.

Government-wide Financial Analysis: The following table shows a condensed statement of net position as of December 31, 2021 and December 31, 2020 derived from the government-wide financial statements.

**Catamount Metropolitan District
Net Position**

	Governmental Activities	
	2021	2020
Assets:		
Current and other assets	\$ 2,802,324	\$ 2,564,169
Capital assets	10,004,742	10,440,556
Total Assets	12,807,066	13,004,725
Liabilities:		
Current liabilities	93,840	82,746
Long-term and other liabilities	185,000	330,000
Total Liabilities	278,840	412,746
Deferred Inflows of Resources:		
Current deferred inflows	723,629	673,666
Total Deferred Inflows of Resources	723,629	673,666
Net Position:		
Net Investment in capital assets	9,819,742	10,110,556
Restricted	231,848	225,462
Unrestricted	1,753,007	1,582,295
Total Net Position	\$ 11,804,597	\$ 11,918,313

The largest portion of the District's net position is reflected in the net investment in capital assets, (i.e. land, buildings, vehicles, equipment, and infrastructure). The District uses these assets to provide services to its citizens. Accordingly, these assets are not an available source for payment of future spending. The District also has restricted net positions for emergencies and future debt service and a remaining balance of \$1,753,007, which is unrestricted. At the end of the current fiscal year, the District has positive net position in all categories.

The changes in net position for the years ended December 31, 2021 and December 31, 2020 are summarized in the following table:

**Catamount Metropolitan District
Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Charges for services	\$ 188,152	\$ 184,704
Capital contributions	15,994	22,616
Property taxes	722,071	626,488
Assessments	279,091	152,962
Interest and other income	14,140	20,373
Total Revenues	<u>1,219,448</u>	<u>1,007,143</u>
Expenses:		
General government	289,069	287,591
Public works	1,031,175	989,018
Interest expense	12,920	18,409
Total Expenses	<u>1,333,164</u>	<u>1,295,018</u>
Change in Net Position	(113,716)	(287,875)
Net Position- Beginning	<u>11,918,313</u>	<u>12,206,188</u>
Net Position- Ending	<u>\$ 11,804,597</u>	<u>\$ 11,918,313</u>

The primary reason for the decrease in net position during both 2021 and 2020 was the depreciation taken on the District infrastructure in excess of operating revenues net of operating expenses.

Financial Analysis of the District's Funds

As mentioned early, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund revenues were \$1,219,448 in 2021 which is an increase compared to \$1,007,143 in 2020 due to the increase in property tax and fee revenues.

General Fund expenditures were \$1,042,350 in 2021 and \$1,177,245 in 2020. This decrease was primarily related to decreased capital spending in 2021.

As of the end of 2021, the District's governmental fund reported an ending fund balance of \$1,984,855, an increase of \$177,098 from 2020. These balances are broken down into categories of restricted for emergencies and debt service, assigned for future capital replacements, and unassigned.

Budget variances: The ending fund balance finished the year \$211,158 ahead of the budget due in large part to savings in expenditures from operation costs and capital projects. A budget to actual statement for the General Fund can be found on page 6 of this report.

Capital assets: The District's total net capital assets decreased by \$435,814, as a result of current year depreciation expense being greater than capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 15 of this report.

Long-term debt: The District retired \$145,000 of debt during 2021. The District still has \$1,075,000 of additional bonds issued but not drawn that it can draw upon, if needed, in future years to complete additional capital projects. Details regarding the District's long-term debt are located in the Notes to the Financial Statements on page 16 of this report.

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 the Catamount Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Suite 213, Edwards, CO 81632, (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CATAMOUNT METROPOLITAN DISTRICT
Statement of Net Position
December 31, 2021

	Total Governmental Activities
Assets:	
Cash and investments	\$ 1,814,366
Accounts receivable - water and sewer	36,555
Due from county treasurer	3,199
Other receivables	16,296
Property tax receivable	723,629
Prepaid expenses	8,279
Cash and investments - restricted	200,000
Capital assets:	
Non-depreciable	402,344
Depreciable, net	9,602,398
Total assets	12,807,066
Liabilities:	
Accounts payable and accrued liabilities	93,840
Bonds payable:	
Due within one year	150,000
Due in more than one year	35,000
Total liabilities	278,840
Deferred inflows of resources:	
Unavailable revenue - property taxes	723,629
Total deferred inflows of resources	723,629
Net position:	
Net investment in capital assets	9,819,742
Restricted for enabling legislation	31,848
Restricted for debt service	200,000
Unrestricted	1,753,007
Total net position	\$ 11,804,597

The accompanying notes are an integral part of this financial statement.

CATAMOUNT METROPOLITAN DISTRICT
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Total
Governmental activities:							
General government	\$ 289,069	\$ -	\$ -	\$ -	\$ (289,069)	\$ (289,069)	
Public works	1,031,175	188,152	-	-	(843,023)	(843,023)	
Interest on long-term debt	12,920	-	-	-	(12,920)	(12,920)	
Total governmental activities	1,333,164	188,152	-	-	(1,145,012)	(1,145,012)	
General revenues:							
Property and specific ownership taxes					722,071	722,071	
Special assessments					279,091	279,091	
Capital contributions - Water tap fees					15,994	15,994	
Interest income					1,832	1,832	
Other income					12,308	12,308	
Total general revenues					1,031,296	1,031,296	
Change in net position					(113,716)	(113,716)	
Net position - beginning of year					11,918,313	11,918,313	
Net position - end of year					\$ 11,804,597	\$ 11,804,597	

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

CATAMOUNT METROPOLITAN DISTRICT
Balance Sheet
Governmental Funds
December 31, 2021

	Total Governmental Funds
Assets:	
Cash and investments	\$ 1,814,366
Accounts receivable - water and sewer	36,555
Due from county treasurer	3,199
Other receivables	16,296
Property tax receivable	723,629
Prepaid expenses	8,279
Cash and investments - restricted	200,000
Total assets	\$ 2,802,324
Liabilities:	
Accounts payable and accrued liabilities	\$ 93,840
Total liabilities	93,840
Deferred inflows of resources:	
Unavailable revenue - property taxes	723,629
Total deferred inflows of resources	723,629
Fund balance:	
Nonspendable - prepaid expenses	8,279
Restricted for enabling legislation	31,848
Restricted for debt service	200,000
Assigned for capital replacements	1,584,702
Unassigned	160,026
Total fund balance	1,984,855
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,802,324
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance - governmental funds	1,984,855
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	10,004,742
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(185,000)
Net position of governmental activities	\$ 11,804,597

The accompanying notes are an integral part of this financial statement.

CATAMOUNT METROPOLITAN DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	Total Governmental Funds
Revenues:	
Property and specific ownership tax	\$ 722,071
Special assessments	279,091
Water user fees	123,153
Sewer user fees	64,999
Capital contributions - Water tap fees	15,994
Interest income	1,832
Other income	12,308
Total revenues	<u>1,219,448</u>
Expenditures:	
Current:	
General government	289,069
Public works	245,333
Debt Service:	
Principal	145,000
Interest	12,920
Capital outlay	350,028
Total expenditures	<u>1,042,350</u>
Net change in fund balance	177,098
Fund balance, beginning of year	<u>1,807,757</u>
Fund balance, end of year	<u><u>\$ 1,984,855</u></u>

The accompanying notes are an integral part of this financial statement.

CATAMOUNT METROPOLITAN DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2021

	<u>Total Governmental Funds</u>
Net change in fund balance of the governmental fund	\$ 177,098
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. This is the amount by which depreciation exceeds capital outlay in the current year.	(435,814)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt.	<u>145,000</u>
Change in net position of governmental activities	<u><u>\$ (113,716)</u></u>

The accompanying notes are an integral part of this financial statement.

CATAMOUNT METROPOLITAN DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property and specific ownership tax	\$ 714,086	\$ 722,071	\$ 7,985
Special assessments	279,146	279,091	(55)
Water user fees	106,116	123,153	17,037
Sewer user fees	64,592	64,999	407
Capital contributions - Water tap fees	11,000	15,994	4,994
Interest income	5,607	1,832	(3,775)
Other income	5,138	12,308	7,170
Total revenues	<u>1,185,685</u>	<u>1,219,448</u>	<u>33,763</u>
Expenditures:			
General government:			
Personnel costs	155,247	160,004	(4,757)
General and administrative expenses	124,896	108,847	16,049
Treasurer's fees	20,210	20,218	(8)
Public works:			
Operations expenditures	43,194	31,531	11,663
Road, Dam & Landscape maintenance	85,559	49,295	36,264
Water system operations	94,206	118,995	(24,789)
Sewer system operations	46,167	45,512	655
Debt service:			
Principal	145,000	145,000	-
Interest	12,936	12,920	16
Capital outlay	492,330	350,028	142,302
Total expenditures	<u>1,219,745</u>	<u>1,042,350</u>	<u>177,395</u>
Net change in fund balance	(34,060)	177,098	211,158
Fund balance, beginning of year	<u>1,868,881</u>	<u>1,807,757</u>	<u>(61,124)</u>
Fund balance, end of year	<u>\$ 1,834,821</u>	<u>\$ 1,984,855</u>	<u>\$ 150,034</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the Catamount Metropolitan District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District is a quasi-municipal corporation organized by a court order dated February 17, 1989 and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to fund and assist in the coordination of facilities for water, sanitation, roadway, parks and recreation, transportation, cable television and translation, and mosquito control facilities in Routt County, Colorado.

Originally there were six Catamount Districts. During 1999, all of the land area within Districts No. 3 through No. 6 was excluded through an order of the District court and simultaneously included into either District No. 1 or No. 2. During 2004, Lake Catamount District No.1 was dissolved and merged with No. 2 to form Catamount Metropolitan District. The District was formed to finance operations and possibly a portion of future infrastructure constructed by District No. 1. The District was not responsible for reimbursing District No. 1 for any capital outlay related to the initial subdivision infrastructure improvements. These infrastructure improvements were funded by contributions from Catamount Development, Inc. (the Developer).

The District complies with GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. It defines component units as legally separate entities for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property taxes, assessments, and charges for services.

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

Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues. The District does not have proprietary or fiduciary funds.

The fund financial statements provide information about the government's funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues 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. The exceptions to this general rule are that principal and interest on general long-term debt and expenditures related to compensated absences are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following governmental fund:

General Fund – is the District's primary operating fund. It accounts for all financial resources of the District.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

Investments held in the local government investment pool are reported at net asset value as allowed under US GAAP.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. At December 31, 2021, the District did not hold any investments required to be reported under fair value.

Accounts Receivable

Accounts receivable consist of water and sewer user fees earned as of December 31, 2021. The District considers all receivables collectible as of December 31, 2021.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Property Taxes

Property taxes are levied annually and attach as an enforceable lien on property as of January 1. At the option of the taxpayer, property taxes may be paid in full or in two equal installments. The first of such installment is to be paid as of February 28 and the second installment is to be paid no later than June 15. If elected to be paid in full, the amount is to be paid no later than April 30. If payments are not made timely, delinquent interest accrues. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are available or collected.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include land, buildings and improvements, vehicles and equipment, and infrastructure, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Normal maintenance and repairs that do not add value to assets or materially extend the life of assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the capital assets. Depreciation is reported as a current charge in the statement of activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
Vehicles and equipment	7-10
Infrastructure	30

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In the current year, the District did not have any items in this reporting category.

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

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balance on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which include items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's Board of Directors, the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the District's Board of Directors removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance. This classification reflects the amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intended use may be expressed by the Board or other individual's authorized to assign funds to be used for a specific purpose. Unlike commitments, assignments are generally only temporary and do not require a formal action to remove the assignment.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position (continued)

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derives the necessary property taxes as computed in the proposed budget.

The budget and the appropriating resolution are adopted prior to December 31.

2. Stewardship, Compliance, and Accountability (continued)

Budgets and Budgetary Accounting (continued)

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) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

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

TABOR Amendment - Revenue and Spending Limitation 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. Spending and revenue limits are determined 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 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 must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants and sales of assets). The District has reserved a portion of its December 31, 2021 year-end fund balance in the General Fund for emergencies as required under TABOR of \$31,848 which is the approximate required reserve at December 31, 2021.

On May 2, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

CATAMOUNT METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021

3. Detailed Notes on the Funds

Deposits and Investments

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

Cash and investments	\$ 1,814,366
Cash and investments - restricted	<u>200,000</u>
	<u>\$ 2,014,366</u>

The following is a summary of deposits and investments held by the District at December 31, 2021:

<u>Type</u>	<u>Ratings per Standard & Poor's</u>	<u>Total December 31, 2021</u>
Deposits with financial institutions		\$ 241,391
COLOTRUST PLUS+	AAAm	<u>1,772,975</u>
Total		<u>\$ 2,014,366</u>

Cash Deposits

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

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

Investments

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

At December 31, 2021, the District invested in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments.

CATAMOUNT METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021

3. Detailed Notes on the Funds (continued)

Investments (continued)

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ using the net asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less.

Custodial Credit Risk: At December 31, 2021, all of the District's deposits and investments were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Interest Rate Risk: Colorado Revised Statutes (CRS) limit investment maturities to five years or less unless formally approved by the Board. In accordance with CRS, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District follows the general provisions of the Colorado Revised Statutes (CRS) which limits the District's exposure to credit risk. CRS specify investment instruments meeting defined rating and risk criteria in which local governmental entities may invest. The allowed investments may include but are not limited to certain money market funds, certain certificates of deposit, and local government investment pools.

Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 402,344	\$ -	\$ -	\$ 402,344
Construction in progress	540,022	282,811	(822,833)	-
Total capital assets, not being depreciated	<u>942,366</u>	<u>282,811</u>	<u>(822,833)</u>	<u>402,344</u>
Capital assets being depreciated:				
Buildings and improvements	1,386,091	-	-	1,386,091
Vehicles and equipment	339,075	-	-	339,075
Infrastructure	19,732,317	863,693	-	20,596,010
Total capital assets being depreciated	<u>21,457,483</u>	<u>863,693</u>	<u>-</u>	<u>22,321,176</u>
Less accumulated depreciation for:				
Buildings and improvements	(496,496)	(47,280)	-	(543,776)
Vehicles and equipment	(214,994)	(28,844)	-	(243,838)
Infrastructure	(11,247,803)	(683,361)	-	(11,931,164)
Total accumulated depreciation	<u>(11,959,293)</u>	<u>(759,485)</u>	<u>-</u>	<u>(12,718,778)</u>
Total capital assets being depreciated, net	<u>9,498,190</u>	<u>104,208</u>	<u>-</u>	<u>9,602,398</u>
Capital assets, net	<u>\$ 10,440,556</u>	<u>\$ 387,019</u>	<u>\$ (822,833)</u>	<u>\$ 10,004,742</u>

Depreciation expense of \$759,485 was charged to public works.

CATAMOUNT METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2021

3. Detailed Notes on the Funds (continued)

Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2009 Governmental activities long-term debt	\$ 330,000	\$ -	\$ (145,000)	\$ 185,000	\$ 150,000
	<u>\$ 330,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ 185,000</u>	<u>\$ 150,000</u>

General Obligation Bonds

On April 1, 2009, the District issued \$2,000,000 of General Obligation Bonds Series 2009 ("Series 2009") to construct water and road improvements. At December 31, 2021, the District has drawn \$925,000 of the available balance and can draw the remaining \$1,075,000 in future periods. The Series 2009 bonds mature June 30, 2028 or upon repayment of the drawn amount and bear interest of 4.25% until April 1, 2021 at which time the bond rate was repriced to 3.92%. Interest is payable semiannually on each June 30 and December 31. Pledged revenue consists of ad valorem taxes and specific ownership taxes. In connection with the bond issuance, the District established a reserve account of \$200,000 which was equal to 10% of the par amount outstanding upon issuance to be used only to prevent default in the payment of principal or interest on the bonds.

Events of default as defined in the bond agreement for the District's Series 2009 direct borrowings of \$330,000 include (1) failure by the District to impose necessary mill levy and/or fee assessment and apply the proceeds thereof as required by the bond purchase agreement, (2) default by the District in performance or observance of any other covenants in the bond purchase agreement or the resolution and such default continues for thirty days after written notice specifying such default and requiring remedy, and (3) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the bond purchase agreement. Failure to pay principal and interest on the bonds when due shall not, of itself, constitute an event of default under the bond purchase agreement. Remedies available in the event of default include suit, action, or special proceedings. Acceleration of the Series 2009 bonds is not an available remedy for default.

Debt service requirements to maturity for the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 150,000	\$ 7,252	\$ 157,252
2023	35,000	1,372	36,372
Total	\$ 185,000	\$ 8,624	\$ 193,624

At December 31, 2021, the District had total authorized debt of \$32,000,000 of which \$3,250,000 has been issued, leaving an authorized but unissued balance of \$28,750,000. However, since the authorization was approved in May 1998 and is now more than 20 years old, it is considered stale and no longer available subject to section 32-1-1101.5 of the Special District Act.

4. Other Information

Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. During the year ended December 31, 2021, the Pool has made no distributions nor required additional contributions from the District.

Retirement Plans

The District provides a defined benefit contribution money purchase pension plan and trust (the Plan) administered by Mission Square Retirement formerly ICMA. All full-time, year-round employees of the District are eligible for the Plan. Under the terms of the Plan, the District and each participant are required to contribute 6.2% of the participant's earnings. Contributions are fully vested immediately and loans to participants are allowed.

District contributions to the Plan during the year ended December 31, 2021 were \$10,538.

Intergovernmental Agreements

Catamount Ranch Pipeline Project

In July 2000, the District entered into an agreement with Routt County, Colorado authorizing the District to construct a water pipeline to transport water from the Yampa River to Catamount Ranch. Catamount Ranch may use the water for irrigation, recreation, fishing, and aesthetic purposes. The District may also provide water by exchange to neighboring landowners for irrigation.

Agreement with City of Steamboat Springs

In May 2001, the District entered into an agreement with the Developer and the City of Steamboat Springs (the "City") to deliver supplemental irrigation water to the City. Delivery is to include only water rights owned or leased by the City in accordance with the administration of Yampa River water rights. The District agrees to make available to the City one cubic foot out of the total ten cubic feet of the capacity within the District's pipeline. The City will reimburse the District for electrical and pumping costs for delivery of the water.

5. **Reconciliation of Government-Wide and Fund Financial Statements**

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. Explanation of the reconciling items is as follows:

Capital assets of \$22,723,520, less accumulated depreciation of \$12,718,778 or a net book value of \$10,004,742 are not financial resources and therefore are not reported in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Bonds payable amounted to \$185,000.

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The details of this difference are as follows:

Depreciation expense – public works	\$ (759,485)
Capital outlay	323,671
Net adjustment	<u>\$ (435,814)</u>

The issuance of long-term debt (e.g. bonds payable) 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. Principal payments on bonds payable were \$145,000.