

**Stone Canon Ranch Metropolitan District**

**Douglas County, Colorado**

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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Board of Directors  
Stone Canon Ranch Metropolitan District  
Douglas County, Colorado

Independent Auditor's Report

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Stone Canon Ranch 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 (GAAS). 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 the 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 (GAAP), 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 the 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 GAAS 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 GAAS, 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 the 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 the 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.

## Other Matters

### Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### Supplemental Information

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

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

December 30, 2022

**Stone Canon Ranch Metropolitan District**  
**Governmental Fund Balance Sheet/Statement of Net Position**  
**December 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash and investments	\$ 40,366	\$ -	\$ -	\$ 40,366	\$ -	\$ 40,366
Cash and investments - restricted	2,032	-	417,131	419,163	-	419,163
Receivable from County Treasurer	310	280	-	590	-	590
Property taxes receivable - 2022	53,174	48,569	-	101,743	-	101,743
Capital assets, net of accumulated depreciation	-	-	-	-	112,958	112,958
<b>Total assets</b>	<b>\$ 95,882</b>	<b>\$ 48,849</b>	<b>\$ 417,131</b>	<b>\$ 561,862</b>	<b>112,958</b>	<b>674,820</b>
<b>Liabilities</b>						
Accounts payable	\$ 12,693	\$ -	\$ -	\$ 12,693	-	12,693
Accrued interest on long-term obligations	-	-	-	-	1,876	1,876
Long-term liabilities:						
Due within one year	-	-	-	-	26,000	26,000
Due within more than one year	-	-	-	-	716,000	716,000
<b>Total liabilities</b>	<b>12,693</b>	<b>-</b>	<b>-</b>	<b>12,693</b>	<b>743,876</b>	<b>756,569</b>
<b>Deferred inflows of resources</b>						
Deferred property taxes	53,174	48,569	-	101,743	-	101,743
<b>Total deferred inflows of resources</b>	<b>53,174</b>	<b>48,569</b>	<b>-</b>	<b>101,743</b>	<b>-</b>	<b>101,743</b>
<b>Fund balances</b>						
Restricted:						
Emergencies	2,032	-	-	2,032	(2,032)	-
Debt service	-	280	-	280	(280)	-
Capital Projects	-	-	417,131	417,131	(417,131)	-
Unassigned	27,983	-	-	27,983	(27,983)	-
<b>Total fund balances</b>	<b>30,015</b>	<b>280</b>	<b>417,131</b>	<b>447,426</b>	<b>(447,426)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 95,882</b>	<b>\$ 48,849</b>	<b>\$ 417,131</b>	<b>\$ 561,862</b>		
<b>Net position</b>						
Net investment in capital assets					(629,042)	(629,042)
Restricted for:						
Emergencies					2,032	2,032
Debt Service					-	-
Capital Projects					417,131	417,131
Unrestricted					26,387	26,387
<b>Total net position</b>					<b>\$ (183,492)</b>	<b>\$ (183,492)</b>

Note: the accompanying notes are an integral part of these financial statements.

**Stone Canon Ranch Metropolitan District**  
**Statement of Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances/Statement of Activities**  
**For the Year Ended December 31, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Expenditures</b>						
Accounting	\$ 2,050	\$ -	\$ -	\$ 2,050	\$ -	\$ 2,050
Bank fees	60	2,787	-	2,847	-	2,847
Legal fees	26,254	-	-	26,254	-	26,254
Insurance	1,212	-	-	1,212	-	1,212
Refunded property taxes	119,187	-	-	119,187	-	119,187
Repairs and maintenance	2,646	-	-	2,646	-	2,646
Office expense	12	-	-	12	-	12
Treasurer's fees	687	619	-	1,306	-	1,306
Debt service:						
Principal paid	-	22,000	-	22,000	(22,000)	-
Interest expense	-	25,106	-	25,106	1,876	26,982
Capital improvements	-	-	101,645	101,645	(101,645)	-
Total expenditures/expenses	<u>152,108</u>	<u>50,512</u>	<u>101,645</u>	<u>304,265</u>	<u>(121,769)</u>	<u>182,496</u>
<b>General revenues</b>						
Property taxes	45,582	41,071	-	86,653	-	86,653
Specific ownership taxes	4,396	3,961	-	8,357	-	8,357
Interest income and miscellaneous	250	217	-	467	-	467
Total general revenues	<u>50,228</u>	<u>45,249</u>	<u>-</u>	<u>95,477</u>	<u>-</u>	<u>95,477</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(101,880)	(5,263)	(101,645)	(208,788)	121,769	(87,019)
<b>Other financing sources (uses)</b>						
Proceeds from debt issuance	-	-	764,000	764,000	(764,000)	-
Cost of issuance	-	-	(43,033)	(43,033)	-	(43,033)
Refunded Series 2004 Bond	-	(209,356)	-	(209,356)	209,356	-
Transfer (to)/from other funds	-	202,191	(202,191)	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>(7,165)</u>	<u>518,776</u>	<u>511,611</u>	<u>(554,644)</u>	<u>(43,033)</u>
<b>Net changes in fund balances</b>	(101,880)	(12,428)	417,131	302,823	(302,823)	
<b>Change in net position</b>					(130,052)	(130,052)
<b>Fund balances / net position</b>						
Beginning of year	131,895	12,708	-	144,603	(198,043)	(53,440)
End of year	<u>\$ 30,015</u>	<u>\$ 280</u>	<u>\$ 417,131</u>	<u>\$ 447,426</u>	<u>\$ (630,918)</u>	<u>\$ (183,492)</u>

Note: the accompanying notes are an integral part of these financial statements.

**Stone Canon Ranch Metropolitan District**  
General Fund – Statement of Revenues, Expenditures  
and Changes in Fund Balance – Budget and Actual  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Expenditures</b>			
Accounting	\$ 2,200	\$ 2,050	\$ 150
Bank fees	-	60	(60)
Legal fees	20,000	26,254	(6,254)
Insurance	2,200	1,212	988
Refunded property taxes	135,000	119,187	15,813
Repairs and maintenance	7,570	2,646	4,924
Office expense	330	12	318
Treasurer's fees	-	687	(687)
Total expenditures/expenses	<u>167,300</u>	<u>152,108</u>	<u>15,192</u>
<b>General revenues</b>			
Property taxes	45,578	45,582	4
Specific ownership taxes	-	4,396	4,396
Interest income and miscellaneous	-	250	250
Total general revenues	<u>45,578</u>	<u>50,228</u>	<u>4,650</u>
<b>Net changes in fund balance</b>	(121,722)	(101,880)	19,842
<b>Fund balances</b>			
Beginning of year	145,933	131,895	(14,038)
End of year	<u>\$ 24,211</u>	<u>\$ 30,015</u>	<u>\$ 5,804</u>

Note: the accompanying notes are an integral part of these financial statements.

## Stone Canon Ranch Metropolitan District

Notes to the Financial Statements  
For the Year Ended December 31, 2021

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### **Note 1 – Definition of Reporting Entity**

#### Definition of Reporting Entity

Stone Canon Ranch Metropolitan District (the “District”), a quasi-municipal corporation, was organized on November 24, 2003, and is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in Douglas County, Colorado. The District was established to provide essential facilities and services for public use and benefit.

As required by accounting principles generally accepted in the United States of America (“GAAP”), these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Boards (“GASB”) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District has no employees and all operation and administrative functions are contracted.

### **Note 2 – Summary of Significant Accounting Policies**

The accounting policies of the District conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments. The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Basis of Presentation (continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and collected.

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 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 District considers revenues to be *available* if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

*Debt Service Fund* – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

*Capital Projects Fund* – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

## Stone Canon Ranch Metropolitan District

Notes to the Financial Statements  
For the Year Ended December 31, 2021

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### Cash and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at net asset value.

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

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial 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 an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Capital Assets

Capital assets, which include property and infrastructure assets (e.g. streets and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements that will be conveyed to other governmental entities are classified as construction in progress, are not included in the calculation of net investment in capital assets, and are not depreciated. Land and certain landscaping improvements are not depreciated.

**Stone Canon Ranch Metropolitan District**

Notes to the Financial Statements

For the Year Ended December 31, 2021

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Capital Assets (continued)

Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable, using the straight-line method. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

<u>Category</u>	<u>Depreciable Life</u>
Road	7 years
Furniture and fixtures	15 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Balances

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

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

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

*Committed fund balance* – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Fund Balances (continued)

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

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

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

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation. Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. At December 31, 2021, \$2,032 of the General Fund balance has been restricted in compliance with this requirement. The restricted fund balance in the Debt Service Fund in the amount of \$280 is restricted for the payment of the debt service costs associated with the Series 2021 Loan (see Note 5). The restricted fund balance in the Capital Projects Fund in the amount of \$417,131 is restricted for the payment of the future capital outlay.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 2 – Summary of Significant Accounting Policies (continued)**

Net Position (continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive position first.

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners who assess the property tax obligation of the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Note 3 – Cash and Investments**

Cash and investments as of December 31, 2021, are classified in the accompanying financial statement as follows:

Statement of net position:

Cash and investments	\$ 40,366
Cash and investments - restricted	419,163
Total	<u>\$ 459,529</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 459,529
Total	<u>\$ 459,529</u>

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 3 – Cash and Investments (continued)**

Cash 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 excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

At December 31, 2021, the District’s cash deposits had a bank balance equal to its carrying balance of \$459,529. The District had funds of \$398,354 in trust with the paying agent related to the Series 2021 Loan (see Note 5).

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, none of the District’s bank balance was exposed to custodial credit risk.

Investments

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service or sinking fund requirements. Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- \* Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers’ acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- \* Local government investment pools

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 3 – Cash and Investments (continued)**

Investments (continued)

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

As of December 31, 2021, the District had no investments.

Restricted Cash and Investments

As of December 31, 2021, \$417,131 of cash and investments were restricted for capital projects and \$2,032 restricted for emergency reserves.

**Note 4 – Capital Assets**

The following is an analysis of changes in capital assets for the year ended December 31, 2021:

<u>Governmental activities</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/2021</u>
Capital assets not being depreciated:				
Land	\$ 11,313	\$ -	\$ -	\$ 11,313
Construction in progress	-	101,645	-	101,645
Total capital assets not being depreciated, at cost	11,313	101,645	-	112,958
Capital assets being depreciated:				
Road	526,859	-	-	526,859
Furniture and fixtures	1,274	-	(1,274)	-
Total capital assets being depreciated, at cost	528,133	-	(1,274)	526,859
Less accumulated depreciation	(528,133)	-	1,274	(526,859)
Total capital assets being depreciated, net	-	-	-	-
Total capital assets, net	<u>\$ 11,313</u>	<u>\$ 101,645</u>	<u>\$ -</u>	<u>\$ 112,958</u>

No depreciation expense was charged to the general government function during the year ended December 31, 2021.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 5 – Long-Term Obligations**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2021:

	Balances 1/1/2021	Additions	Reductions	Balances 12/31/2021	Current Portion
<b>Direct borrowings:</b>					
Series 2004 Bonds	\$ 209,356	\$ -	\$ (209,356)	\$ -	\$ -
Series 2021 Loan	-	764,000	(22,000)	742,000	26,000
Total long-term obligations	<u>\$ 209,356</u>	<u>\$ 764,000</u>	<u>\$ (231,356)</u>	<u>\$ 742,000</u>	<u>\$ 26,000</u>

Long-term obligations advances issued for governmental activities are liquidated by the debt service fund. The details of the Districts long-term obligation are as follows:

Debt Authorization

The District is limited in the amount of indebtedness pursuant to its service plan to \$900,000.

Series 2004 General Obligation Bonds

On May 20, 2004, the District issued \$725,000 General Obligation Bonds (“Series 2004 Bonds”). The Series 2004 Bonds funded capital expenditures for the construction of roads and other public improvements within the District and pay the costs of issuance on the bond issuance.

The Series 2004 Bonds bore interest at the fixed rate of 5.15% per annum. Principal and interest were due annually on July 1 beginning on July 1, 2005 though the bonds’ maturity date, July 1, 2024. The Series 2004 Bonds were subject to redemption prior to the maturity date at the option of the District, in whole but not in part, upon payment of the then current loan balance and accrued unpaid interest, without prepayment fee, premium or penalty.

The Series 2004 Bonds were defeased with the issuance of the Series 2021 Loan.

Limited Tax General Obligation Refunding and Improvement Loan Series 2021

On April 20, 2021, the District issued a \$764,000 General Obligation Refunding and Improvement Loan (“Series 2021 Loan”). The Series 2021 Loan funded capital expenditures for public improvements within the District, fully refunded and defeased all of the outstanding Series 2004 Bonds, and paid the costs of issuance on the loan. The Series 2021 Loan is secured by Pledged Revenue and funds held in trust by the escrow agent.

The Series 2021 loan bears interest at the fixed rate of 3.0% per annum. Interest is due semi-annually on June 1 and December 1 beginning on June 1, 2021, with principal payments due on December 1 annually beginning in 2021 though the loan’s maturity date, December 1, 2040.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 5 – Long-Term Debt (continued)**

Limited Tax General Obligation Refunding and Improvement Loan Series 2021 (continued)

The District has the option to pre-pay amounts owed under the Series 2021 Loan subject to a prepayment penalty of 1% of the loan balance on any date prior to December 1, 2024; provided, however, that no prepayment fee shall be imposed if the payment is from excess annual mill levy revenue. Commencing on December 2, 2024 and continuing thereafter, the Series 2021 Loan may be prepaid in whole or in part, upon payment of the then current loan balance and accrued unpaid interest, without prepayment fee, premium or penalty.

The occurrence/existence of any of the following constitutes an Event of Default: (a) the District fails to pay or cause to be paid when due any principal or interest in connection with the loan or any other amount due under the loan agreement or the note; or (b) the District fails or refuses to impose the Required Mill Levy or to remit the Pledged Revenue to the lender as required by the loan agreement; (c) the District fails to observe or perform any other of the material covenants, agreements, duties or conditions on the part of the District in the loan agreement, the note or the other financing documents to which it is a party and such failure either (i) is not remedied to the satisfaction of the Lender within 30 days after the District receives written notice from the Lender of the occurrence of such failure or (ii) results in the interest borne by the Note to be taxable to the holder thereof for federal income tax purposes; or (d) (i) the District shall commence any case, proceeding or other action: (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; or (B) seeking appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of its property, or the District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the District any case, proceeding or other action of a nature referred to in clause (i) above and the same shall remain undismissed; or (iii) there shall be commenced against the District any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged or stayed or bonded pending appeal, within 60 days from the entry thereof; or (iv) the District shall take action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the acts set forth in clauses (i), (ii) or (iii) above; or (v) the District shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due. Due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Note when due shall not, of itself, constitute an Event of Default.

Upon the occurrence and during the continuance of any event of default, the lender has the option to (a) declare the Default Rate to be applicable to the Loan; and/or (b) proceed to protect and enforce the lender's rights under the loan agreement, the related note and the other financing documents and any provision of law by mandamus or any other suit, action or proceeding at law or in equity as the lender shall deem appropriate. Acceleration of the payments due upon the occurrence and during the continuance of an Event of Default is not a remedy of the Lender.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 5 – Long-Term Debt (continued)**

Limited Tax General Obligation Refunding and Improvement Loan Series 2021 (continued)

The District’s Series 2021 Loan will mature as follows after December 31, 2021:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 26,000	\$ 22,569	\$ 48,569
2023	26,000	21,778	47,778
2024	28,000	21,045	49,045
2025	29,000	20,136	49,136
2026	31,000	19,254	50,254
2027-2031	176,000	81,351	257,351
2032-2036	217,000	52,191	269,191
2037-2040	209,000	16,247	225,247
Total	<u>\$ 742,000</u>	<u>\$ 254,571</u>	<u>\$ 996,571</u>

**Note 6 – Net Position**

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets calculated as follows:

Net investment in capital assets:

Capital assets, net	\$ 112,958
Long-term obligations	<u>(742,000)</u>
Net investment in capital assets	<u>\$ (629,042)</u>

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 6 – Net Position (continued)**

The restricted component of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position at December 31, 2021, as follows:

Restricted net position:	
Emergency reserves	\$ 2,032
Capital projects	417,131
Total restricted net position	<u>\$ 419,163</u>

The unrestricted net position of \$26,387 includes all other net position that does not meet the definition of the above two components and is available for general use by the District

**Note 7 – Refunded Property Taxes**

The District determined that property taxes collected from the prior two years had been assessed in excess of allowable amounts. The District issued a refund to the taxpayers for the over-assessed general operating property taxes during 2021.

**Note 8 – Related Parties**

The members of the Board of Directors of the District are owners of property within the District, and may have conflicts of interest in dealing with the District. Any potential conflicts have been filed in accordance with Colorado Law.

**Note 9 – Risk Management**

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool") as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**Stone Canon Ranch Metropolitan District**  
Notes to the Financial Statements  
For the Year Ended December 31, 2021

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**Note 10 – Tax, Spending and Debt Limitations**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

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

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

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

**Note 11 – Internal Transfers**

During 2021, the District transferred \$202,191 from the Capital Projects Fund to the Debt Service Fund for the payment of debt obligations.

**Note 12 – Reconciliation of Government-Wide and Fund Financial Statements**

Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets	\$ 112,958
Loan payable	(742,000)
Accrued interest on long-term obligations	(1,876)
Total	<u>\$ (630,918)</u>

Long-term liabilities such as loans and bonds payable and accrued interest on loans and bonds are not due and payable in the current period and, therefore, are not in the funds. Loans and bonds payable and the related accrued interest amounts are reflected on the Statement of Net Position. Governmental funds report capital improvements as expenditures; however, in the government-wide financial statements, capital expenditures are reflected as capital assets.

**Stone Canon Ranch Metropolitan District**

Notes to the Financial Statements

For the Year Ended December 31, 2021

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**Note 12 – Reconciliation of Government-Wide and Fund Financial Statements (continued)**

Explanation of differences between the governmental fund 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 and the government-wide statement of activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital improvements	\$ (101,645)
Debt principal payments	(22,000)
Interest expense	1,876
Debt proceeds	764,000
Debt repayment	<u>(209,356)</u>
Total	<u>\$ 432,875</u>

Governmental funds report loan proceeds as other financing sources and repayments as expenditures. However, the long-term obligations are reflected as a liability in the government-wide financial statements, and proceeds/repayments are reported as changes to the liability. Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the government-wide Statement of Activities. Governmental funds report capital improvements as expenditures; however, in the government-wide financial statements, capital expenditures are reflected as capital assets.

## Supplemental Information

**Stone Canon Ranch Metropolitan District**  
Debt Service Fund – Schedule of Revenues, Expenditures  
and Changes in Fund Balance – Budget and Actual  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Expenditures</b>			
Bank fees	\$ -	\$ 2,787	\$ (2,787)
Treasurer's fees	-	619	(619)
Debt service:			
Principal paid	22,000	22,000	-
Interest expense	30,000	25,106	4,894
Total expenditures/expenses	<u>52,000</u>	<u>50,512</u>	<u>1,488</u>
<b>General revenues</b>			
Property taxes	41,071	41,071	-
Specific ownership taxes	-	3,961	3,961
Interest income and miscellaneous	-	217	217
Total revenues	<u>41,071</u>	<u>45,249</u>	<u>4,178</u>
<b>Excess (deficiency) of revenues over expenditures and net changes in fund balance</b>	(10,929)	(5,263)	5,666
<b>Other financing source (uses)</b>			
Proceeds from debt issuance	367,000	-	367,000
Cost of issuance	(130,000)	-	(130,000)
Refunded Series 2004 Bond	(198,797)	(209,356)	(10,559)
Transfer (to)/from other funds	-	202,191	202,191
Net other financing sources (uses)	<u>38,203</u>	<u>(7,165)</u>	<u>428,632</u>
<b>Net changes in fund balances</b>	27,274	(12,428)	434,298
<b>Fund balances</b>			
Beginning of year	13	12,708	12,695
End of year	<u>\$ 27,287</u>	<u>\$ 280</u>	<u>\$ 446,993</u>

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

**Stone Canon Ranch Metropolitan District**  
 Capital Projects Fund – Schedule of Revenues, Expenditures  
 and Changes in Fund Balance – Budget and Actual  
 For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>Expenditures</b>			
Capital improvements	\$ 500,000	\$ 101,645	\$ 398,355
Total expenditures/expenses	500,000	101,645	398,355
<b>General revenues</b>			
Property taxes	-	-	-
Total revenues	-	-	-
<b>Excess (deficiency) of revenues over expenditures and net changes in fund balance</b>			
	(500,000)	(101,645)	398,355
<b>Other financing source (uses)</b>			
Proceeds from debt issuance	-	764,000	764,000
Cost of issuance	-	(43,033)	(43,033)
Transfer (to)/from other funds	-	(202,191)	(202,191)
Net other financing sources (uses)	-	518,776	518,776
<b>Net changes in fund balances</b>	(500,000)	417,131	917,131
<b>Fund balances</b>			
Beginning of year	-	-	-
End of year	\$ (500,000)	\$ 417,131	\$ 917,131

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