

ELEVATION PARK METROPOLITAN DISTRICT
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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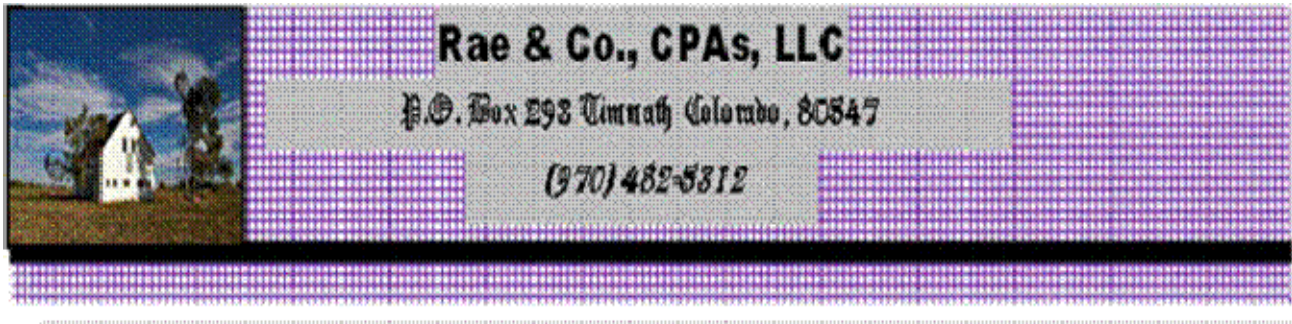
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Elevation Park Metropolitan District
Dacono, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elevation Park Metropolitan District (the District) as of and for the year ended December 31, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Elevation Park Metropolitan District, as of December 31, 2022, and the respective changes in financial position, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Elevation Park 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 these 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 Elevation Park 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.

Auditors' 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 auditors' 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Elevation Park 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Elevation Park 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 and General Fund budgetary comparison information 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.

Supplementary 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 Debt Service Fund budget to actual schedule financial is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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, the Debt Service Fund budget to actual schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rae & Co., CPAs, LLC

Timnath, Colorado
July 11, 2023

**ELEVATION PARK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS**

**ELEVATION PARK METROPOLITAN DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended December 31, 2022**

The management of Elevation Park Metropolitan District ("District") offers the readers of the District's financial statements this narrative overview of the financial activities of the District for the year ended December 31, 2022.

Elevation Park Metropolitan District was established in 2019 as a special district to serve the needs of a residential planned development in La Plata County, Colorado, generally known as Elevation Park, which is owned and being developed by Woodbridge Durango LLC (the Developer). The project is planned in 2 phases. Infrastructure for Phase I was completed and platted in 2019. Shortly after completion of infrastructure, the domestic water infrastructure was conveyed to the City of Durango, and the sanitation infrastructure to South Durango Sanitation District. In 2021 general obligation bonds in the amount of \$2,455,000 were issued, with the net proceeds of this issuance being used to reimburse the Developer for a portion of the improvements that were transferred.

At the end of 2022 Elevation Park had 13 new homes completed; a total of 11 homes were sold, 1 lot was sold to another builder, and an additional 6 new homes were under construction.

2022 Financial Highlights

- District revenues were derived from net Property and Specific Ownership Taxes of \$4,836 with an additional \$26,000 Developer Advance in the General Fund and \$24,188 net Property and Specific Ownership Tax revenue in the Debt Service fund.
- Property Tax Abatements were made by La Plata County in 2021 & 2022 for an accumulated total of \$11,789 in the General Fund and \$58,915 in Debt Service. At the beginning of 2022 \$1,709 of the abatement debt had been paid down in the General Fund; \$6,966 in Debt Service. Year end Abatement Debt balances were \$4,477 in the General Fund and \$24,053 in Debt Service. Both of these balances are expected to be paid off in 2023 using approximately 1/3 of the year's property tax revenues in each fund.
- The District had \$35,848 in expenses related to governmental activities, similar to previous year. Expenses in the Debt Service fund consisted of the 1st bond payment and related expenses for a total of \$112,805. With the property tax revenue diverted to abatement debt payments, these expenses were funded by the developer advance plus reserves in the General Fund and by development fees of \$19,093 plus reserves in the Debt Service Fund.
- There were no capital outlay in 2022.
- Year end Fund Balances were a negative \$4,195 in the General Fund and \$314,966 in the Debt Service Fund.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental fund statements reflect how basic services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year and related schedules. In the supplementary information a budget to actual statement is also presented for the Debt Service Fund.

Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

Table 1
Organization of the Elevation Park Metropolitan District's
Annual Financial Report

SUMMARY

DETAIL

Table 2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund, found in the basic financial statements.

Table 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds Fund Financial Statements
Scope	Entire (except funds)	The activities of the District that are not proprietary or fiduciary
Required Financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These statements provide both *short-term* and *long-term* information about the District's *overall* financial status.

The *statements of net position* presents information on all of the District's assets and liabilities, with the difference between the two 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. To assess the District's overall health, other non-financial factors should be considered, such as the condition of buildings and equipment.

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 flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). Included in governmental activities are most of the District's basic services.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has two governmental funds, the General Fund and the Debt Service Fund.

- *Governmental fund*: All of the District's basic services are included in its governmental funds, which generally focuses on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling column and footnote disclosure is included on the governmental funds statements explaining the relationship (or difference) between them.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general and Debt Service funds both of which are considered major funds.

The basic governmental fund financial statements can also be found on pages C1 and C2 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 on pages D1 to D10 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information.

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

The District's combined net position was lower on December 31, 2022, than year end 2021, decreasing 4.19 percent to (\$3,541,842). Table 3 provides a summary of the District's net position at December 31, 2022 and 2021.

Table 3
Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>
ASSETS	\$ 425,299	\$ 470,624
LIABILITIES		
Current	39,995	57,451
Non-current	<u>3,843,918</u>	<u>3,782,201</u>
Total liabilities	<u>3,883,913</u>	<u>3,839,652</u>
DEFERRED INFLOWS OF RESOURCES	83,228	30,516
NET POSITION		
Restricted for emergency reserves	925	1,042
Unrestricted	<u>(3,542,767)</u>	<u>(3,400,586)</u>
Total net position	<u>\$ (3,541,842)</u>	<u>\$ (3,399,544)</u>

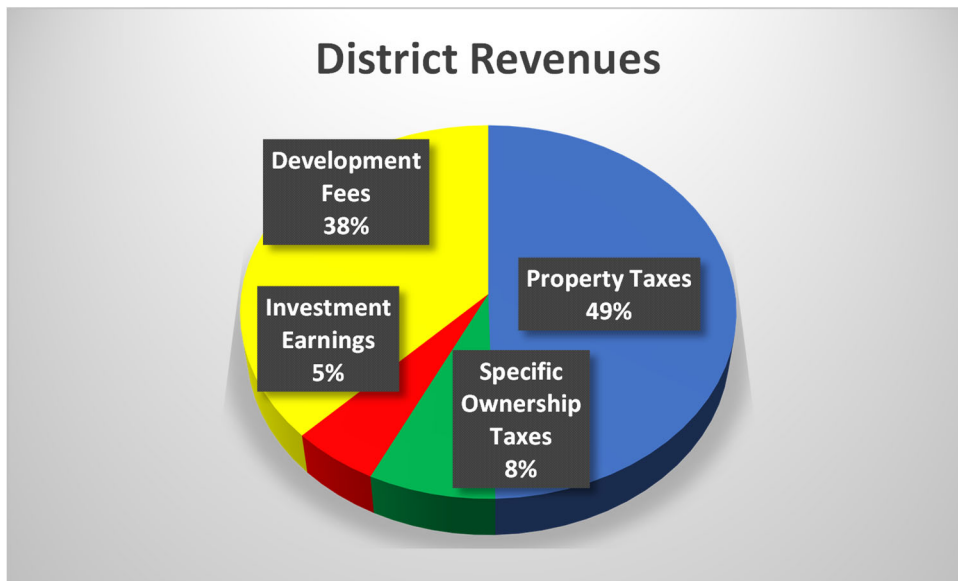
Table 4 provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

Table 4
Changes in Net Position from Operating Results

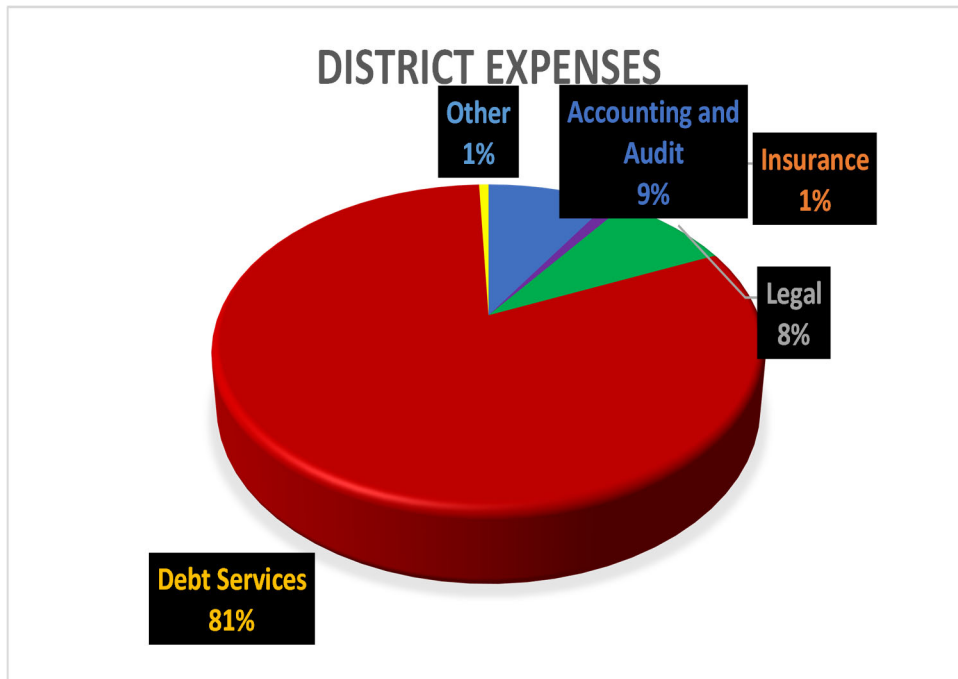
	<u>2022</u>	<u>2021</u>
REVENUES:		
Total general revenues	\$ 50,767	\$ 43,174
EXPENDITURES AND EXPENSES		
Current:	36,563	3147647
Debt Service:	156,502	166065
Total expenditures and other financing uses	<u>193,065</u>	<u>3,313,712</u>
CHANGE IN NET POSITION	(142,298)	(3,270,538)
FUND BALANCES /NET POSITION		
- BEGINNING OF YEAR	(3,399,544)	(129,006)
FUND BALANCES/NET POSITION - END		
- END OF YEAR	<u>\$ (3,541,842)</u>	<u>\$ (3,399,544)</u>

The District's revenues are derived primarily from property and specific ownership taxes with additional revenues

derived from 7 lots paying development fees @ \$2,500 per lot. The following graph gives an overview of the District's revenues.



The District's 2022 expenses were related entirely to administrative costs and bond payments. The following graph shows that the largest expense for the District by far related to debt service.



Financial Analysis of District's Funds

General Fund

The general fund was established and is continually funded to provide for the daily activities, expenses and operating costs of the District. This fund provides for functional areas of the organization – and in the case of Elevation Park Metro District consists entirely of administrative costs such as insurance, legal and accounting. The only funding sources for the general fund is taxation of real property taxes. In addition to property and specific ownership taxes the debt service fund receives investment earnings and developer advances.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transaction on a basis of cash receipts and disbursements. The District's budget for the general fund anticipated that revenues would exceed expenditures\$2,030. The actual results for the year show expenditures exceeding revenues by (\$4,195).

The District must maintain a 3% emergency contingency restricted reserve account as a part of the TABOR Amendment (Taxpayer Bill of Rights). At December 31, 2022, there was not enough in the General Fund for a TABOR reserve, however for 2023 the reserve is budgeted at \$925.

Capital Assets and Debt Administration

Capital Assets

The District has no Capital Assets. All of these assets have been donated to other local governments.

Long-Term Debt

At year-end the District had \$2,455,000 in general obligation bonds, and Developer Advances and accrued interest on those advances totaling \$1,388,918 as shown below in Table 9. More detailed information about the District's long-term liabilities is presented in Note 3 to the financial statements.

The District did not issue any new debt during 2022. The General Obligation Bond Schedule allows for interest only payments from 2021 through 2024. Bond principal payments will begin in 2025.

Table 9
Outstanding Long-Term Debt

			Total Governmental Activities			
					% of Change	
			2022	2021	2022-2021	
Government activities:						
Bonds payable			\$2,455,000	\$2,455,000	(0)%	

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, the District may be contacted at:

Elevation Park Metropolitan District
PO Box 3443
Durango, CO 81302
970-508-0596
www.elevationparkmetrodistrict.org

BASIC FINANCIAL STATEMENTS

ELEVATION PEAKS METROPOLITAN DISTRICT NO. 1
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
ASSETS					
Cash and investments - unrestricted	\$ 939	76,759	\$ 77,698	\$ -	\$ 77,698
Property taxes receivable	13,871	69,357	83,228	-	83,228
Prepaid expenditures	2,113	-	2,113	-	2,113
Cash and investments - restricted	-	262,260	262,260	-	262,260
Total assets	<u>\$ 16,923</u>	<u>\$ 408,376</u>	<u>\$ 425,299</u>	<u>-</u>	<u>425,299</u>
LIABILITIES					
Accounts payable	\$ 2,770	\$ -	\$ 2,770	-	2,770
Due to County Treasurer	4,477	24,053	28,530	-	28,530
Accrued interest payable on bonds	-	-	-	8,695	8,695
Long-term liabilities:					
Due in more than one year	-	-	-	3,843,918	3,843,918
Total liabilities	<u>7,247</u>	<u>24,053</u>	<u>31,300</u>	<u>3,852,613</u>	<u>3,883,913</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax revenue	13,871	69,357	83,228	-	83,228
Total deferred inflows of resources	<u>13,871</u>	<u>69,357</u>	<u>83,228</u>	<u>-</u>	<u>83,228</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	2,113	-	2,113	(2,113)	
Restricted for:					
Emergency reserves	925	-	925	(925)	
Debt service	-	314,966	314,966	(314,966)	
Assigned for:					
For future year spending	1,028	-	1,028	(1,028)	
Unassigned	(8,261)	-	(8,261)	8,261	
Total fund balances	<u>(4,195)</u>	<u>314,966</u>	<u>310,771</u>	<u>(310,771)</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,923</u>	<u>\$ 408,376</u>	<u>\$ 425,299</u>	<u>(425,299)</u>	
NET POSITION					
Restricted for:					
Emergency reserves				(925)	925
Unrestricted				3,542,767	(3,542,767)
Total net position				<u>\$ (3,541,842)</u>	<u>\$ (3,541,842)</u>

The notes are an integral part of these statements

ELEVATION PEAKS METROPOLITAN DISTRICT NO. 1
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES:					
Taxes:					
Property taxes	\$ 4,194	\$ 20,978	\$ 25,172	\$ -	\$ 25,172
Specific Ownership tax	642	3,210	3,852	-	3,852
Investment earnings	1	2,649	2,650	-	2,650
Development fees	-	19,093	19,093	-	19,093
Total revenues	<u>4,837</u>	<u>45,930</u>	<u>50,767</u>	<u>-</u>	<u>50,767</u>
EXPENDITURES AND EXPENSES					
Current:					
County Treasurer's fee	126	715	841	-	841
District accounting	9,499	-	9,499	-	9,499
Audit fee	7,500	-	7,500	-	7,500
Insurance and bonds	2,073	-	2,073	-	2,073
Legal	16,205	-	16,205	-	16,205
Other	445	-	445	-	445
Debt Service:					
Principal	-	5,253	5,253	(5,253)	-
Interest	-	104,337	104,337	49,665	154,002
Paying agent fees	-	2,500	2,500	-	2,500
Total expenditures and other financing uses	<u>35,848</u>	<u>112,805</u>	<u>148,653</u>	<u>44,412</u>	<u>193,065</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(31,011)</u>	<u>(66,875)</u>	<u>(97,886)</u>	<u>(44,412)</u>	<u>(142,298)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Developer advance	26,000	-	26,000	(26,000)	-
Total other financing sources (uses)	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>(26,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(5,011)	(66,875)	(71,886)	71,886	
CHANGE IN NET POSITION				142,298	(142,298)
FUND BALANCES /NET POSITION					
- BEGINNING OF YEAR	<u>816</u>	<u>381,841</u>	<u>382,657</u>	<u>-</u>	<u>(3,399,544)</u>
FUND BALANCES/NET POSITION - END - END OF YEAR	<u>\$ (4,195)</u>	<u>\$ 314,966</u>	<u>\$ 310,771</u>	<u>\$ -</u>	<u>\$ (3,541,842)</u>

The notes are an integral part of these statements

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Elevation Park Metropolitan District (District) is a quasi-municipal corporation, organized pursuant to the provisions of the Colorado Special District Act (Title 32). The District operates under an Amended Order and Decree of the La Plata County District Court dated December 4, 2019, and recorded in the records of the La Plata County Clerk and Recorder on December 5, 2019. Formation of the District was preceded by the approval by the Board of County Commissioners of La Plata County, Colorado of a Service Plan dated July 2, 2019. The District is being developed in two phases. When complete, the District will have 49 single family detached homes, 14 townhomes, 75 apartment units, a community park, clubhouse, and dog park. Currently, the infrastructure for Phase I is completed and along with 13 completed and six homes under construction. The District has no employees and all operations and administrative functions are contracted.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the District officials appoint a voting majority of the organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. As required by generally accepted governmental accounting principles, the financial statements of the reporting entity include those of the District (the primary government) which has no component units. The District does not exercise oversight responsibility over any other entity, nor is the District a component of any other governmental entity.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for state and local governments in the United States. The following is a summary of the more significant policies.

Government-wide and fund financial statements

The government-wide financial statements (i.e., statement of net position column and the statement of activities column) report information on all of the non-fiduciary activities of the District.

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities. Governmental activities are normally supported by taxes, system development fees, and investment earnings.

The statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities report all financial resources of the primary government.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation
(Continued)

The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows 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 requirements of a particular function or segment. For the year ended December 31, 2022, the District has no program revenues. All revenues, such as taxes, system development fees, and investment earnings are reported as general revenues.

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

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The General Fund fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

Debt Service Fund – accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Measurement focus, basis of accounting, and financial statement presentation

The statement of net position column on the governmental fund balance sheet/statement of net position and the statement of activities column on the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities 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.

The governmental funds column on the governmental fund balance sheet/statement of net position and the statement of governmental revenues, expenditures, and changes in fund balance/statement of activities are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, system development fees, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered measurable and available only when cash is received by the District.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation
(Continued)

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

Fund accounting

The accounts of the District are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows of resources, fund balance, revenues, and expenditures. The various funds are summarized by type within the financial statements.

Governmental funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources of funds and uses the balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments – Cash and investments are stated at fair value, with the exception of the local government investment pool and Fidelity Treasury CI III #696 which are stated at the net asset value of the shares owned.

Fair Value Hierarchy The District categorizes its fair value measurements 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District follows State statutes which allow the following investments:

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

Receivables – All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2022, all receivables are expected to be collected.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

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. At December 31, 2022 the District has no deferred outflows of resources.

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. Deferred inflows of resources include property taxes levied for use in a subsequent period.

Net Position/Fund Balances – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

Fund Balances – Fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form (i.e., inventories or prepaid items) or because they are legally or contractually required to be maintained intact. At December 31, 2022, the District has \$2,113 in nonspendable fund balance related to prepaid expenses.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. At December 31, 2022, the District has \$925 restricted for emergencies.

Committed – Amounts that can be used only for specific purposes determined by a formal action of District's Board of Directors (Board). The Board is the highest level of decision-making body for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. At December 31, 2022, the District has no committed fund balance.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board may assign fund balances for specific purposes. At December 31, 2022, the District has assigned funds for 2023 appropriations of \$1,028.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Unassigned – Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Property taxes

Property taxes are levied by December 15, on assessed valuation as of December 10 of each year and attach as an enforceable lien on January 1 of the following year. Taxes are due in full by April 30, or in two installments by February 28, and June 15. Taxes become delinquent after those dates and are subject to interest charges. In addition, delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November.

Property owners within the boundaries of the District have been assessed \$83,228 in taxes for 2023.

Property taxes are recognized in the year for which they are levied to support operations and at the fund level must also be measurable and available. Since these taxes are levied for operations during 2023, property taxes are recorded as a receivable which is offset by deferred inflows of resources. Taxes are collected and remitted monthly to the District by the Treasurer's Office of La Plata County.

Revenues – Exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants and donations.

Development Fees

The District imposes certain development impact and fees on property within the District. These fees are assessed upon the closing of a sale to a residential end user. The fee amount is \$2,500 per residential plot.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Budgets

In accordance with the Colorado Budget Law, the Board holds public hearings in the fall of 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. A budget is legally adopted for all funds on a basis consistent with U.S. generally accepted accounting principles. Prior to December 31, the budget is legally enacted through passage of a resolution. District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of a fund must be approved by the Board. The Board can modify the budget and appropriation resolutions upon completion of notification and publication requirements.

The District's 2022 budget included amounts for the Capital Improvement Fund with resources of Developer Advances totaling \$1,819,182 and expenditures totaling \$1,818,361. This Fund had no transactions in 2022.

Tax, spending, and debt limitations

In November, 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, (TABOR) which has several limitations, including revenue increases, spending abilities, and other specific requirements of state and local government. On November 5, 2019, the District's voters approved the retention of all property taxes and all other District revenue in 2020 and annually thereafter without limitation under TABOR or other laws. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The State Constitution also requires local governments to establish emergency reserves equal to at least 3% of fiscal year spending as defined in the amendment. These emergency reserves cannot be used to compensate for economic conditions, revenue shortfalls, or salary and benefit increases. As discussed above, the District has recorded \$925 of restricted net position for emergencies at December 31, 2022.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Cash and investments - unrestricted	\$ 77,698
Cash and investments - restricted	262,260
	<u>\$ 339,958</u>

A summary of deposits and investments at December 31, 2022, follows:

Cash deposits	\$ 942
Investments	339,016
Total cash and investments	<u>\$ 339,958</u>

Deposits

Custodial Credit Risk – Deposits - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. 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 least equal to 102% of the uninsured deposits. At December 31, 2022, the carrying amount and bank balance of the District's deposits were \$942, all of which was covered by FDIC insurance.

The District's has not adopted an investment policy and follows Colorado Revised Statutes.

Investments

The District invests funds in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"). This is an investment vehicle established for local government entities in Colorado to pool surplus funds. The pool, COLOTRUST Plus+, operates similarly to a money market fund and each share is equal in value to \$1.00. The designated custodial bank provides safekeeping and depository services to the pools in connection with the direct investment and withdrawal functions of the pools. All securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pools. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes. The State securities commission administers and enforces all state statutes governing public trust pools. COLOTRUST is an external investment pool valued using the Net Asset Value (NAV) of \$1 per share (or its equivalent) of the investments. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods. COLOTRUST is rated AAAm by S & P Global Ratings.

The District invests those accounts related to its bonds in Fidelity Treasury CI III #696 (Fund). The Fund invests in cash, U.S. Treasury securities and repurchase agreements related to those securities. It stresses maintaining a stable \$1.00 NAV. The Fund has no unfunded commitments, redemption restrictions or redemption notice periods. The Fund is rated AAAm by S & P Global Ratings and AAA-mf by Moodys.

Interest Rate Risk – The District has interest rate risk related to its investments in COLOTRUST and Fidelity. As of December 31, 2022, the District had the following investment:

	<u>Weighted Average Maturity</u>	<u>Net Asset Value</u>
COLOTRUST Plus+	27 days to reset 77 days to maturity	\$ 76,755
As of April 28, 2003 Fidelity Treasury CI III #696 had a	Weighted average maturity 3 days Weighted average life 17 days	\$ 262,260

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. However, historically, the District's investments have been in local government investment pools and those investments chosen by the bond's paying agents.

Credit Risk – The District is required to comply with State of Colorado (State) statutes which specify instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest. State statutes do not address custodial risk.

NOTE 3 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2022:

	<u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2022</u>	<u>Due Within One Year</u>
Operating Advances					
Advances	\$ 58,333	\$ 26,000	\$ -	\$ 84,333	\$ -
Accrued interest	3,077	3,590	-	6,666	-
Total Operating Advances	<u>61,410</u>	<u>29,590</u>	<u>-</u>	<u>90,999</u>	<u>-</u>
Capital Advances					
Advances	1,021,863	-	(5,253)	1,016,610	-
Accrued interest	227,776	53,533	-	281,309	-
Total Capital Advances	<u>1,249,639</u>	<u>53,533</u>	<u>(5,253)</u>	<u>1,297,919</u>	<u>-</u>
Bonds					
Series 2021 Limited Tax GO Bonds	<u>2,455,000</u>	<u>-</u>	<u>-</u>	<u>2,455,000</u>	<u>-</u>
Total Bonds	<u>2,455,000</u>	<u>-</u>	<u>-</u>	<u>2,455,000</u>	<u>-</u>
Total Debt	<u>\$ 3,766,049</u>	<u>\$ 83,123</u>	<u>\$ (5,253)</u>	<u>\$ 3,843,918</u>	<u>\$ -</u>

The bonds are subject to early redemption beginning December 1, 2026 with a three percent redemption premium. This premium reduces one percent per year, until December 1, 2029 when there is no premium.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2021 Loan:

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - LONG-TERM OBLIGATIONS (CONTINUED)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 104,337	\$ 104,337
2024	-	104,337	104,337
2025	15,000	104,337	119,337
2026	35,000	103,700	138,700
2027	40,000	102,213	142,213
2028-2032	255,000	482,588	737,588
2033-2037	350,000	420,750	770,750
2038-2042	480,000	335,750	815,750
2043-2047	635,000	220,788	855,788
2048-2052	645,000	70,338	715,338
	<u>\$ 2,455,000</u>	<u>\$ 2,049,138</u>	<u>\$ 4,504,138</u>

Authorized Debt

On November 5, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$5,000,000 at an interest rate not to exceed 12% per annum. As of December 31, 2022, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

	<u>Total Authorized</u>	<u>Remaining at December 31, 2022</u>
Street improvements	\$ 5,000,000	\$ 3,634,023
Traffic and safety controls	5,000,000	4,932,993
Park and recreation facilities	5,000,000	4,922,198
Water supply improvements	5,000,000	4,533,647
Sanitary sewer system	5,000,000	4,522,137
Operations and maintenance	5,000,000	5,000,000
Intergovernmental agreements	5,000,000	5,000,000
Debt refunding	5,000,000	5,000,000
	<u>\$ 40,000,000</u>	<u>\$ 37,544,998</u>

NOTE 4- RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

The Government Funds Balance Sheet/Statement of Net Position includes adjustment column. The adjustments have the following elements:

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4– RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND
FUND FINANCIAL STATEMENTS

	<u>Effect on Net Position</u>
Long term liabilities such as notes payable, accrued interest payable are not due and payable in the current period, and therefore, are not reported in the funds.	\$ (3,852,613)

The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund
Balances/Statement of Activities includes an adjustment column. The adjustment has
the following elements:

	<u>Effect on Change in Net Position</u>
Governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities. In addition, governmental funds report the proceeds of debt as revenues while it is reported as an increase in long-term debt in the Statement of Activities.	
Payment of principal	\$ 5,253
Debt proceeds	<u>(26,000)</u> \$ (20,747)
Governmental funds report interest expense on the modified accrual basis and an expense is not recognized until the payment is due, however, interest expense is reported on the full accrual method in the Statement of Activities.	(49,665)

NOTE 5 - RELATED PARTIES

Two members of the Board of Directors are affiliated with the Developer, Woodbridge Durango, LLC. The other two Board members are qualified to serve on the Board under contracts to purchase an interest in real property, requiring the payment of property taxes. A member of the Board is the sole board member of the HOA. During the year, the District repaid \$5,253 in capital advances. The District also received \$26,000 in operating advances from the Developer. For the year ended December 31, 2022 the District recognized an additional accrued interest owed to the Developer totaling \$57,123. As more fully described in Note 3, the District owes \$1,388,918 to the Developer for operating and capital advances and interest on those advances under the Funding and Reimbursement Agreement entered into by and between the District and Woodbridge Durango, LLC, dated January 1, 2020.

As required by Colorado statute, the Board members filed conflict of interest statements with the Secretary of State's Office and announce potential conflicts of interest at the start of each Board meeting.

ELEVATION PARK METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery 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, public officials and 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.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

ELEVATION PEAKS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES			
Taxes:			
Property taxes	\$ 5,085	\$ 4,194	\$ (891)
Specific Ownership tax	1,300	642	(658)
Investment earnings	-	1	1
Proceeds from Developer Advance	42,000	26,000	(16,000)
Total revenues and other financing sources	<u>48,385</u>	<u>30,837</u>	<u>(17,548)</u>
EXPENDITURES AND OTHER FINANCING USES			
Current:			
County Treasurer's fee	-	126	(126)
District accounting	10,000	9,499	501
Audit fee	7,500	7,500	-
Insurance and bonds	2,500	2,073	427
Legal	25,000	16,205	8,795
Other	5	445	(14)
Contingencies - TABOR	1,350	-	1,350
Total expenditures and other financing uses	<u>46,355</u>	<u>35,848</u>	<u>10,933</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ 2,030</u></u>	<u>(5,011)</u>	<u><u>\$ (6,615)</u></u>
FUND BALANCE - BEGINNING OF YEAR		<u>816</u>	
FUND BALANCE - END OF YEAR		<u><u>\$ (4,195)</u></u>	

SUPPLEMENTARY INFORMATION

ELEVATION PEAKS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES			
Taxes:			
Property taxes	\$ 25,430	20,978	\$ (4,452)
Specific Ownership tax	6,000	3,210	(2,790)
Investment earnings	-	2,649	2,649
Development fees	30,500	19,093	(11,407)
Total revenues and other financing sources	<u>61,930</u>	<u>45,930</u>	<u>(16,000)</u>
EXPENDITURES AND OTHER FINANCING USES			
Current:			
County Treasurer's fee	-	715	(715)
Debt Service:			
Principal	100,000	5,253	94,747
Interest	104,337	104,337	-
Paying agent fees	2,455	2,500	(45)
Total expenditures and other financing uses	<u>206,792</u>	<u>112,805</u>	<u>93,987</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (144,862)</u></u>	(66,875)	<u><u>\$ 77,987</u></u>
FUND BALANCE - BEGINNING OF YEAR		<u>381,841</u>	
FUND BALANCE - END OF YEAR		<u><u>\$ 314,966</u></u>	