

BMR METROPOLITAN DISTRICT

Financial Statements

Years Ended December 31, 2020 and 2019

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
BMR Metropolitan District
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity of BMR Metropolitan District (the "District") as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BMR Metropolitan District as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

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 opinion on the basic financial statements is not affected by this missing information.

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

Sincerely,



Wipfli LLP
Lakewood, Colorado

July 29, 2021

BMR METROPOLITAN DISTRICT

STATEMENTS OF NET POSITION Years Ending December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and investments	\$ 977,393	\$ 838,551
Prepaid expenses	450	400
Accounts receivable	<u>53,289</u>	<u>40,805</u>
Total Current Assets	<u>1,031,132</u>	<u>879,756</u>
CAPITAL ASSETS		
Water system	3,819,011	3,819,011
Less accumulated depreciation	<u>(1,694,320)</u>	<u>(1,577,144)</u>
Net Capital Assets	<u>2,124,691</u>	<u>2,241,867</u>
Total Assets	<u>3,155,823</u>	<u>3,121,623</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	69,124	95,798
Accrued interest - CWRPDA loan	4,174	4,125
Current portion of long term debt	<u>50,895</u>	<u>49,891</u>
Total Current Liabilities	<u>124,193</u>	<u>149,814</u>
NONCURRENT LIABILITIES		
Due in more than one year	<u>568,734</u>	<u>619,629</u>
Total Noncurrent Liabilities	<u>568,734</u>	<u>619,629</u>
Total Liabilities	<u>692,927</u>	<u>769,443</u>
NET POSITION		
Net investment in capital assets	1,505,062	1,572,347
Unrestricted	<u>957,834</u>	<u>779,833</u>
Total Net Position	<u>\$ 2,462,896</u>	<u>\$ 2,352,180</u>

The notes to the financial statements are an integral part of these statements.

BMR METROPOLITAN DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION WATER ENTERPRISE FUND

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Water service and usage fees	\$ 666,041	\$ 582,659
Renewable water source fee	36,860	36,580
Tap fees	70,000	17,500
Water availability fee	<u>4,014</u>	<u>630</u>
Total Operating Revenues	<u>776,915</u>	<u>637,369</u>
OPERATING EXPENSES		
System operator	50,968	57,101
District management	64,925	50,348
Accounting/audit	14,649	13,773
Election expense	-	25
Legal	25,848	36,929
Miscellaneous	5,642	2,046
Directors fees	500	300
Insurance	12,643	12,207
Dues and memberships	797	701
Meter installation/inspection	5,242	4,459
Chemicals/filters/iron removal	47,582	26,704
Water testing	29,218	27,938
Utilities	69,005	61,427
Utility locates	3,052	-
Water system maintenance	40,323	64,989
Water system capital improvements	-	47,552
Locate/Install shop valve access	45,221	-
Landscape maintenance	2,061	484
Water system repairs	66,982	50,398
Engineering	9,323	45,555
Water billing service	47,982	38,773
Telephone	1,717	1,596
Depreciation	<u>117,176</u>	<u>117,176</u>
Total Operating Expenses	<u>660,856</u>	<u>660,481</u>
INCOME (LOSS) FROM OPERATIONS	<u>116,059</u>	<u>(23,112)</u>
NONOPERATING REVENUES AND (EXPENSES)		
Interest Expense - CWRPDA	(13,191)	(14,154)
Other income	<u>7,848</u>	<u>12,956</u>
Total Nonoperating Revenues (Expenses)	<u>(5,343)</u>	<u>(1,198)</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	110,716	(24,310)
NET POSITION, BEGINNING OF YEAR	<u>2,352,180</u>	<u>2,376,490</u>
NET POSITION, END OF YEAR	<u>\$ 2,462,896</u>	<u>\$ 2,352,180</u>

The notes to the financial statements are an integral part of these statements.

BMR METROPOLITAN DISTRICT

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 764,431	\$ 640,815
Payment for operating expenses	<u>(570,404)</u>	<u>(530,712)</u>
Net Cash Provided by Operating Activities	<u>194,027</u>	<u>110,103</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES:		
Other non-operating revenue	<u>7,848</u>	<u>12,956</u>
Net Cash Provided by Noncapital Financing Activities	<u>7,848</u>	<u>12,956</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:		
Repayment - loan principal	(49,891)	(48,908)
Interest expense - CWRPDA	<u>(13,142)</u>	<u>(14,126)</u>
Net Cash (Required) by Capital and Related Financing	<u>(63,033)</u>	<u>(63,034)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	138,842	60,025
CASH AND INVESTMENTS BEGINNING OF YEAR	<u>838,551</u>	<u>778,526</u>
CASH AND INVESTMENTS END OF YEAR	<u>\$ 977,393</u>	<u>\$ 838,551</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) from operations	\$ 116,059	\$ (23,112)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	117,176	117,176
Changes in Assets and Liabilities:		
Accounts receivable	(12,484)	3,446
Prepaid expenses	(50)	11,750
Accounts payable	<u>(26,674)</u>	<u>843</u>
Net Adjustments	<u>77,968</u>	<u>133,215</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 194,027</u>	<u>\$ 110,103</u>

The notes to the financial statements are an integral part of these statements.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the BMR Metropolitan District, located in Douglas County, Colorado, (“the District”) conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units accounted for as a proprietary enterprise fund. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on August 7, 1985 and is a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District was established to provide water for its inhabitants. The District’s primary revenues are from water usage charges. The District is governed by an elected Board of Directors.

The District was originally part of the Bell Mountain Ranch Phase II Metropolitan District. On January 1, 1999 the assets of the water enterprise contained within the Phase II District were transferred to the Master District and retitled the BMR Metropolitan District.

As required by 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 GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB No. 34 - Special Purpose Governments.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020 and 2019

The government-wide financial statements (i.e. the statements of net position and the statements of revenues, expenditures and change in net position) report information on all of the nonfiduciary activities of the District.

The statements of net position report all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets.

The District reports the following major proprietary fund:

Water Enterprise Fund - The Water Enterprise Fund accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020 and 2019

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers cash deposits with an original maturity of three months or less to be cash equivalents.

Assets, Liabilities, and Net Position

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, 2020 and 2019, 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.

Deposits 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 fair value.

The District follows the practice of pooling cash and investments to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts.

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.

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. The government has no items that qualify for reporting in this category at December 31, 2020 or December 31, 2019.

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 government has no items that qualify for reporting in this category at December 31, 2020 or December 31, 2019.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

Long-Term Obligations

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

Capital Assets

Capital assets, which include water system components, are reported in the Water Enterprise Fund in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the 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 assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Property, plant and equipment are depreciated using the “straight-line” method over the following estimated useful lives:

Water System	40 years
Equipment	7 years

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

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. At December 31, 2020 and December 31, 2019, the District did not have any amounts to report in this category.

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.

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

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Cash and Investments

As of December 31, 2020 and 2019, cash and investments are classified in the accompanying financial statements as follows:

	<u>2020</u>	<u>2019</u>
Statement of net position:		
Cash and investments	<u>\$ 977,393</u>	<u>\$ 838,551</u>

Cash and investments as of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Deposits with financial institutions	\$ 414,401	\$ 279,640
Investments – COLOTRUST	<u>562,992</u>	<u>558,911</u>
	<u>\$ 977,393</u>	<u>\$ 838,551</u>

Deposits

Custodial Credit Risk

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

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

As of December 31, 2020 and 2019, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020 and 2019, the District had \$562,992 and \$558,911 invested in COLOTRUST, respectively.

Note 3: Capital Assets

An analysis of changes in capital assets for the year ended December 31, 2020 follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
<u>Capital assets being depreciated:</u>				
Water system	3,810,611	-	-	3,810,611
Equipment	8,400	-	-	8,400
Total	3,819,011	-	-	3,819,011
Accumulated Depreciation	(1,577,144)	(117,176)	-	(1,694,320)
Net capital assets being depreciated	2,241,867	(117,176)	-	2,124,691
Business type assets, net	<u>\$2,241,867</u>	<u>\$ (117,176)</u>	<u>\$ -</u>	<u>\$2,124,691</u>

Depreciation expense for the year ended December 31, 2020, was charged to water operations in the amount of \$117,176.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

An analysis of changes in capital assets for the year ended December 31, 2019, follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 20,627	\$ -	\$ 20,627	\$ -
<u>Capital assets being depreciated:</u>				
Water system	3,789,984	20,627	-	3,810,611
Equipment	8,400	-	-	8,400
Total capital assets being depreciated:	3,798,384	20,627	-	3,819,011
Accumulated Depreciation	(1,459,968)	(117,176)	-	(1,577,144)
Net capital assets being depreciated	2,338,416	(96,549)	-	2,241,867
Business type assets, net	<u>\$ 2,359,043</u>	<u>\$ (96,549)</u>	<u>\$ 20,627</u>	<u>\$ 2,241,867</u>

Depreciation expense for the year ended December 31, 2019 was charged to water operations in the amount of \$117,176.

Note 4: Long-term Obligations

Drinking Water Revolving Fund Direct Loan

The District entered into a Loan Agreement with Colorado Water Resources and Power Development Authority (“CWRPDA”) on October 22, 2010. The Principal amount of the loan is \$1,034,840 and is to be used for the construction of a new well for system redundancy in the event the existing well shuts down. The loan matures on November 1, 2031 and accrues interest at 2% per annum beginning November 1, 2011. The loan will be repaid using net revenue of the District as defined in the loan agreement. Principal and interest on the loan are due semiannually on each May 1 and November 1, commencing on May 1, 2012. Each payment shall be applied first to interest, then due and payable, and then to principal. The District may prepay the loan repayments, in whole or in part without penalty upon prior written notice of not less than 30 days to the CWRPDA. Prepayments shall be applied first to accrued interest on the portion of the Loan to be prepaid and then to principal payments on the loan. The CWRPDA has created a Project Loan Account in the amount of \$1,034,840 for this loan to be used to pay the costs of the project. During 2012 the remaining funds were used.

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
CWRPDA Drinking Water Revolving Fund Direct Loan	\$ 669,520	\$ -	\$ 49,891	\$ 619,629	\$ 50,895
Total	<u>\$ 669,520</u>	<u>\$ -</u>	<u>\$ 49,891</u>	<u>\$ 619,629</u>	<u>\$ 50,895</u>

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

The following is an analysis of changes in long-term debt for the period ending December 31, 2019:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Current Portion
CWRPDA Drinking Water Revolving Fund Direct Loan	\$ 718,428	\$ -	\$ 48,908	\$ 669,520	\$ 49,891
Total	<u>\$ 718,428</u>	<u>\$ -</u>	<u>\$ 48,908</u>	<u>\$ 669,520</u>	<u>\$ 49,891</u>

The following is a summary of the annual long-term debt principal and interest requirements.

	Principal	Interest	Total
2021	\$ 50,895	\$ 12,138	\$ 63,033
2022	51,917	11,116	63,033
2023	52,960	10,073	63,033
2024	54,025	9,008	63,033
2025	55,111	7,922	63,033
2026-2030	292,622	22,545	315,167
2031	62,100	933	63,033
	<u>\$ 619,630</u>	<u>\$ 73,735</u>	<u>\$ 693,365</u>

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$1,965,160. The District has not budgeted to issue any additional debt in 2021.

Note 5: Settlement, Emergency Interconnect and Easement Agreements

In February 2009 the District, Consolidated Bell Mountain Ranch Metropolitan District, Bell Mountain Water Associates LP, Bromley District Water Providers, LLC, Silver Peaks Metropolitan District, the Bell Mountain Ranch Homeowners' Association (HOA), and other interested parties entered into a Settlement Agreement resolving claims as to the ownership of certain Denver Basin water and future well site locations, and various well and water pipeline easements granted by the Consolidated Bell Mountain Ranch Metropolitan District to Silver Peaks Metropolitan District. The Settlement Agreement, among other things, establishes well site criteria that governs well drilling, construction, installation and operation, provides the District with the ability to cause the relocation of certain water well sites adjudicated under a 1984 Decree by Bromley District Water Providers, LLC and also discharged in its entirety \$2,758,394 in contingent debt owed by the District to Bell Mountain Water Associates LP or its successors and assigns. The Settlement Agreement also establishes procedures that must be followed in the event wells are drilled on sites that have not been relocated.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

In addition to the Settlement Agreement, various parties including the District and Silver Peaks Metropolitan District entered into an Amended and Restated Emergency Interconnect Agreement (“Emergency Interconnect Agreement”), a Ratification and Relinquishment of Easements, and a Supplement Easement Agreement. All of these documents taken together clarify the District’s and the Consolidated Bell Mountain Ranch Metropolitan District’s emergency interconnect rights and ratify, with certain modifications, the easement rights of the Silver Peaks Metropolitan District, its successors and assigns for the construction of water well and water transmission lines within the Bell Mountain Ranch Subdivision. The Emergency Interconnect Agreement provides that the District’s water system may be interconnected during an emergency to the Silver Peaks Metropolitan District water distribution system at each Silver Peaks Metropolitan District well. The cost to install piping to effectuate these interconnects must be paid for by the District or Consolidated Bell Mountain Ranch Metropolitan District. The Emergency Interconnect Agreement clarifies under what terms and conditions these interconnections can be made, activated, and maintained, and provides a method for compensating Silver Peaks Metropolitan District or one of the Silver Peaks Metropolitan District’s non-operating parties (as defined in the Emergency Interconnect Agreement), for the water that is used by the District. The interest of the Silver Peaks Metropolitan District in the Emergency Interconnect Agreement was assigned to the Town of Castle Rock on November 15, 2017, together with all of the interest of the Silver Peak Metropolitan District in its Bell Mountain Ranch Water System. The Town of Castle Rock accepted the assignment and agreed to assume all the obligations of the Silver Peak Metropolitan District arising thereunder from and after the date of the assignment.

Note 6: Tax Spending and Debt Limitations

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District’s management believes a significant portion of its operations qualifies for this exclusion.

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.

BMR METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020 and 2019

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 and qualifications as an Enterprise will require judicial interpretation. Internally, the District maintains its records in one fund – the Water Enterprise Fund.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

SUPPLEMENTAL INFORMATION

BMR METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE -
 BUDGET AND ACTUAL (BUDGETARY BASIS) -
 WATER ENTERPRISE FUND
 For the Year Ended December 31, 2020

	<u>Original and</u>		<u>Variance -</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
REVENUES			
Water usage fee	\$ 200,000	\$ 298,573	\$ 98,573
Water service fee	364,800	367,468	2,668
Water availability fee	630	4,014	3,384
Renewable water source fee	36,480	36,860	380
Tap fees	60,000	70,000	10,000
Other income	<u>8,000</u>	<u>7,848</u>	<u>(152)</u>
Total Revenues	<u>669,910</u>	<u>784,763</u>	<u>114,853</u>
EXPENDITURES			
System operator	60,000	50,968	9,032
District management	46,000	64,925	(18,925)
Accounting/audit	16,000	14,649	1,351
Legal	40,000	25,848	14,152
Dues and memberships	1,000	797	203
Miscellaneous	5,000	5,642	(642)
Directors fees	500	500	-
Insurance	13,000	12,643	357
Meter installation/inspection	7,500	5,242	2,258
Chemicals/filters/iron removal	50,000	47,582	2,418
Water testing	30,000	29,218	782
Utilities	62,000	69,005	(7,005)
Utility locates	10,000	3,052	6,948
Water system maintenance	85,000	40,323	44,677
Water system capital improvements	40,000	-	40,000
Locate/Install shop valve access	90,000	45,221	44,779
Landscape maintenance	4,000	2,061	1,939
Water system repairs	50,000	66,982	(16,982)
Engineering	20,000	9,323	10,677
Water billing service	35,000	47,982	(12,982)
Telephone	2,800	1,717	1,083
Renewable water expenses	100,000	-	100,000
Capital Projects/Reserve	220,000	-	220,000
Contingency	51,116	-	51,116
Revolving loan reserve	64,000	-	64,000
Revolving loan repayment	63,227	63,082	145
Water service reserves	<u>220,000</u>	<u>-</u>	<u>220,000</u>
Total Expenditures	<u>1,386,143</u>	<u>606,762</u>	<u>779,381</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(716,233)	178,001	894,234
FUNDS AVAILABLE, BEGINNING OF YEAR	<u>716,233</u>	<u>779,833</u>	<u>63,600</u>
FUNDS AVAILABLE, END OF YEAR	<u>\$ -</u>	<u>\$ 957,834</u>	<u>\$ 957,834</u>
Funds available are defined as follows:			
Current assets		\$ 1,031,132	
Less current liabilities		(124,193)	
Plus current portion of long term debt		<u>50,895</u>	
Funds available		<u>\$ 957,834</u>	

The notes to the financial statements are an integral part of these statements.

BMR METROPOLITAN DISTRICT

RECONCILIATION OF REVENUES AND EXPENDITURES (BUDGETARY BASIS) TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2020

Revenue - Water Enterprise Fund (Budgetary Basis)	<u>\$ 784,763</u>
Total revenue per Statements of Revenues, Expenses and Changes in Net Position	<u>784,763</u>
Expenditures - Water Enterprise Fund (Budgetary Basis)	606,762
Depreciation	117,176
Repayment - note principal	<u>(49,891)</u>
Total expenses per Statements of Revenues, Expenses and Changes in Net Position	<u>674,047</u>
Changes in Net Position per Statements of Revenues, Expenses and Changes in Net Position	<u>\$ 110,716</u>

The notes to the financial statements are an integral part of these statements.