

CONSOLIDATED BELL MOUNTAIN
RANCH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Consolidated Bell Mountain Ranch Metropolitan District
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Consolidated Bell Mountain Ranch Metropolitan District (the "District") as of and for the year ended December 31, 2020, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of the governmental activities and each major fund of Consolidated Bell Mountain Ranch Metropolitan District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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 audit was 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 the 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,



Wipfli LLP
Lakewood, Colorado

September 21, 2021

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 213,471	\$ -	\$ -	\$ 213,471	\$ -	\$ 213,471
Cash and investments - restricted	13,682	350,029	286,348	650,059	-	650,059
Receivable - County Treasurer	11,082	-	-	11,082	-	11,082
Property taxes receivable	480,855	-	769,368	1,250,223	-	1,250,223
Accounts receivable - other	1,180	-	-	1,180	-	1,180
Prepaid insurance	450	-	-	450	-	450
Capital assets, net of depreciation	-	-	-	-	6,516,708	6,516,708
Total Assets	<u>\$ 720,720</u>	<u>\$ 350,029</u>	<u>\$ 1,055,716</u>	<u>\$ 2,126,465</u>	<u>6,516,708</u>	<u>8,643,173</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	583,338	583,338
Total Deferred Outflows of Resources	-	-	-	-	<u>583,338</u>	<u>583,338</u>
Total Assets and Deferred Outflows of Resource	<u>\$ 720,720</u>	<u>\$ 350,029</u>	<u>\$ 1,055,716</u>	<u>\$ 2,126,465</u>		
LIABILITIES						
Accounts payable	\$ 29,416	\$ -	\$ -	\$ 29,416	-	29,416
Accrued interest on bonds	-	-	-	-	26,377	26,377
Long-term liabilities						
Due within one year	-	-	-	-	390,000	390,000
Due in more than one year	-	-	-	-	10,790,000	10,790,000
Total Liabilities	<u>29,416</u>	<u>-</u>	<u>-</u>	<u>29,416</u>	<u>11,206,377</u>	<u>11,235,793</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>480,855</u>	<u>-</u>	<u>769,368</u>	<u>1,250,223</u>	<u>-</u>	<u>1,250,223</u>
Total Deferred Inflows of Resources	<u>480,855</u>	<u>-</u>	<u>769,368</u>	<u>1,250,223</u>	<u>-</u>	<u>1,250,223</u>
FUND BALANCE/NET POSITION						
Nonspendable:						
Prepays	450		-	450	(450)	-
Restricted:						
Emergencies	13,682	-	-	13,682	(13,682)	-
Debt service	-	-	286,348	286,348	(286,348)	-
Capital projects	-	350,029	-	350,029	(350,029)	-
Unassigned	196,317	-	-	196,317	(196,317)	-
Total Fund Balances	<u>210,449</u>	<u>350,029</u>	<u>286,348</u>	<u>846,826</u>	<u>(846,826)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 720,720</u>	<u>\$ 350,029</u>	<u>\$ 1,055,716</u>	<u>\$ 2,126,465</u>		
Net Position:						
Net investment in capital assets					(4,663,292)	(4,663,292)
Restricted for:						
Emergencies					13,682	13,682
Debt service					259,971	259,971
Unrestricted					<u>780,105</u>	<u>780,105</u>
Total Net Position					<u>\$ (3,259,505)</u>	<u>\$ (3,259,505)</u>

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

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 17,950	\$ -	\$ -	\$ 17,950	\$ -	\$ 17,950
District management	42,139	-	-	42,139	-	42,139
Dues and membership	700	-	-	700	-	700
Insurance	9,699	-	-	9,699	-	9,699
Landscape maintenance	50,501	-	-	50,501	-	50,501
Park and open space improvements	7,404	-	-	7,404	-	7,404
Legal	41,157	-	-	41,157	-	41,157
Legal - water	8,048	-	-	8,048	-	8,048
Miscellaneous expenses	4,826	-	-	4,826	-	4,826
Snow removal	35,083	-	-	35,083	-	35,083
Street maintenance	194,431	-	-	194,431	-	194,431
Equestrian trail maintenance	5,292	-	-	5,292	-	5,292
Treasurer's fees	7,180	-	14,360	21,540	-	21,540
Utilities	14,842	-	-	14,842	-	14,842
Road chip seal & striping	156,294	-	-	156,294	-	156,294
Depreciation expense	-	-	-	-	339,752	339,752
Bond interest expense - Series 2010	-	-	-	-	22,766	22,766
Cost of issuance	-	-	123,780	123,780	-	123,780
Loan principal - Series 2020	-	-	380,000	380,000	(380,000)	-
Loan interest expense - Series 2020	-	-	290,317	290,317	51,970	342,287
Total Expenditures	<u>595,546</u>	<u>-</u>	<u>808,457</u>	<u>1,404,003</u>	<u>34,488</u>	<u>1,438,491</u>
GENERAL REVENUES						
Property taxes	477,688	-	955,375	1,433,063	-	1,433,063
Specific ownership taxes	123,613	-	-	123,613	-	123,613
Interest and other income	3,045	29	9,056	12,130	-	12,130
Conservation trust fund	3,231	-	-	3,231	-	3,231
Total General Revenues	<u>607,577</u>	<u>29</u>	<u>964,431</u>	<u>1,572,037</u>	<u>-</u>	<u>1,572,037</u>
EXCESS (DEFICIENCY) OF REVENUES OVER						
EXPENDITURES	12,031	29	155,974	168,034	(34,488)	133,546
OTHER FINANCING SOURCES (USES)						
Loan proceeds	-	-	11,560,000	11,560,000	(11,560,000)	-
Transfer to escrow agent	-	-	(11,992,815)	(11,992,815)	11,992,815	-
Transfer (to) other funds	(350,000)	-	-	(350,000)	350,000	-
Transfer from other funds	-	350,000	-	350,000	(350,000)	-
Total Other Financing Sources (Uses)	<u>(350,000)</u>	<u>350,000</u>	<u>(432,815)</u>	<u>(432,815)</u>	<u>432,815</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(337,969)	350,029	(276,841)	(264,781)	264,781	
CHANGE IN NET POSITION					133,546	133,546
FUND BALANCE/NET POSITION:						
BEGINNING OF YEAR	548,418	-	563,189	1,111,607	(4,504,658)	(3,393,051)
END OF YEAR	<u>\$ 210,449</u>	<u>\$ 350,029</u>	<u>\$ 286,348</u>	<u>\$ 846,826</u>	<u>\$ (4,106,331)</u>	<u>\$ (3,259,505)</u>

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

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2020

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 477,688	\$ 477,688	\$ -
Specific ownership taxes	115,000	123,613	8,613
Interest and other income	11,000	3,045	(7,955)
Conservation trust fund	<u>3,000</u>	<u>3,231</u>	<u>231</u>
 Total Revenues	 <u>606,688</u>	 <u>607,577</u>	 <u>889</u>
EXPENDITURES			
Accounting and audit	14,000	17,950	(3,950)
District management	35,000	42,139	(7,139)
Election expense	5,000	-	5,000
Dues and membership	900	700	200
Engineering	13,000	-	13,000
Insurance	10,263	9,699	564
Landscape maintenance	75,000	50,501	24,499
Park and open space improvements	10,000	7,404	2,596
Wildfire mitigation	10,000	-	10,000
Legal	35,000	41,157	(6,157)
Legal - water	6,000	8,048	(2,048)
Miscellaneous expenses	5,000	4,826	174
Traffic/speed enforcement	17,000	-	17,000
Snow removal	41,000	35,083	5,917
Street maintenance	80,000	194,431	(114,431)
Pedestrian trail maintenance	25,000	-	25,000
Equestrian trail maintenance	20,000	5,292	14,708
Treasurer's fees	7,170	7,180	(10)
Utilities	9,200	14,842	(5,642)
Road chip seal & striping	140,000	156,294	(16,294)
Contingency	26,197	-	26,197
Emergency reserve	<u>17,781</u>	<u>-</u>	<u>17,781</u>
 Total Expenditures	 <u>602,511</u>	 <u>595,546</u>	 <u>6,965</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 4,177	 12,031	 7,854
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	<u>(445,000)</u>	<u>(350,000)</u>	<u>95,000</u>
 Total Other Financing Sources (Uses)	 <u>(445,000)</u>	 <u>(350,000)</u>	 <u>95,000</u>
 NET CHANGE IN FUND BALANCE	 (440,823)	 (337,969)	 102,854
FUND BALANCE:			
BEGINNING OF YEAR	<u>440,823</u>	<u>548,418</u>	<u>107,595</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 210,449</u>	<u>\$ 210,449</u>

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

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Consolidated Bell Mountain Ranch Metropolitan District (“the District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. 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 January 4, 1999, as a quasi-municipal organization established under the State of Colorado Special District Act. The District consists of approximately 2,040 acres, containing 305 residential lots, space for limited commercial and industrial development, and parks, open space and arterial streets in the central portion of Douglas County. The District is comprised of the former Bell Mountain Ranch Phase II, Phase III, and Bell Mountain Ranch Park and Recreation Metropolitan Districts (“Predecessor Districts”). The District was established to provide water, sanitation, street improvement, safety protection services, television relay, transportation, mosquito control and park and recreation improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

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.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/the statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of net position reports 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.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

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 budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. During 2020 the District amended the total appropriations in the Debt Service Fund from \$931,597 to \$12,825,000 as a result of the issuance of the 2020 Loan

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, 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 short-term investments with maturities of three months or less from the date of acquisition cash equivalents are considered to be cash on hand. Investments for the government are reported at fair value. The District follows the practice of pooling cash and investments of all funds 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. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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 District has one items that qualifies for reporting under this category at December 31, 2020. Deferred loss on refunding is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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

Long-Term Obligations

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

Original Issue Discount and Prepaid Bond Insurance

Original issue discount from the Series 2010 Bonds is being amortized over the respective terms of the bonds using the interest method. Prepaid bond insurance from the Series 2010 Bonds is being amortized over the term of the bonds using the straight-line method. The prepaid bond insurance and original issue discount were defeased with the issuance of the Taxable (Converting to Tax-Exempt) Refunding Loan 2020 (see Note 4).

Capital Assets

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

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Capital improvements	10 - 40 years
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Depreciation expense for the year ended December 31, 2020 was \$339,752.

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$450 represents prepaid insurance.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$13,682 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$350,029 is restricted for the payment of the costs for capital improvements within the District.

The restricted fund balance in the Debt Service Fund in the amount of \$286,348 is restricted for the payment of the Long-Term Debt (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

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 or resources related to those assets.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

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

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

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.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 213,471
Cash and investments – Restricted	<u>650,059</u>
Total	\$ <u>863,530</u>

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

Deposits with financial institutions	\$ 295,420
Petty cash	1,000
Investments – COLOTRUST	<u>567,110</u>
	\$ <u>863,530</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.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

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. The District's investment in COLOTRUST is calculated using the net asset value method (NAV) per share.

As of December 31, 2020, the District had the following investments:

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, the District had \$567,110 invested in COLOTRUST.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Note 3: Capital Assets

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

Governmental Type Activities:	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
<u>Capital assets being depreciated:</u>				
Capital improvements	\$ 16,701,926	\$ -	\$ -	\$ 16,701,926
Total capital assets:	16,701,926	-	-	16,701,926
Accumulated depreciation	(9,845,466)	(339,752)	-	(10,185,218)
Net capital assets being depreciated:	6,856,460	(339,752)	-	6,516,708
Government type assets, net	<u>\$ 6,856,460</u>	<u>\$ (339,752)</u>	<u>\$ -</u>	<u>\$ 6,516,708</u>

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

\$11,560,000 Taxable (Converting to Tax-Exempt) Refunding Loan

On February 27, 2020, the District advance refunded and defeased (debt legally satisfied) \$11,585,000 of its General Obligation Limited Tax Refunding Bonds Series 2010, from the issuance of a \$11,560,000 Taxable (Converting to Tax-Exempt) Refunding Loan 2020 ("Series 2020 Loan"). The Series 2020 Loan bears interest at a rate of 3.54% while taxable and 2.80% once tax-exempt. Interest is payable semiannually on June 1 and December 1, commencing December 1, 2020 and principal payments are due annually on December 1, commencing December 1, 2020. The Series 2020 Loan was issued to provide \$11,429,627 in order to advance refund the remaining portion of the Series 2010 Bonds. The reacquisition price of the old debt exceeded the net carrying amount by \$608,931. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded bonds. The refunding resulted in an economic gain of approximately \$1,768,082 due to the average interest rate of the Series 2020 Loan being lower than the refunded bonds.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

The Series 2020 Loan Agreement provides that the occurrence or existence of any one or more of the following events shall be an Event of Default thereunder: (a) the District fails or refused to impose the Required Mill Levy or to remit the Pledged Revenue to the Lender as required under this Agreement, (b) the District fails to pay when due any principal or interest in connection with the Series 2020 Loan; (c) the District fails to observe or perform any other of the material covenants, agreements, duties or conditions on the part of the District in this Agreement or the other financing documents to which it is a party and such failure either is not remedied to the satisfaction of the Lender within 30 days after the District receives written notice from the Lender of the occurrence of such failure or results in the interest borne by the Note to be taxable to the holder thereof for federal income tax purposes, d) the District shall commence any case, proceeding or other action relating to bankruptcy, insolvency, reorganization, relief of debtors, or seeking appointment of a receiver, trustee, custodian or similar official. Upon the occurrence and continuance of an event of default, the Lender may declare the default rate to be applicable to the loan or proceed to protect and enforce its rights under this Agreement, the Note or other financing documents by mandamus or any other suit, action, or proceedings at law or in equity. Acceleration of the Series 2020 Loan is not an available remedy for an Event of Default.

\$14,710,000 General Obligation Limited Tax Refunding Bonds Series 2010

On June 8, 2010, the District issued \$14,710,000 of General Obligation Limited Tax Refunding Bonds Series 2010 (“Series 2010 Bonds”) dated June 8, 2010 for the purpose of (i) refunding certain general obligation bonds issued by District; (ii) paying the costs of refunding the refunded bonds; (iii) funding a reserve fund for the Bonds; and, (iv) paying other costs in connection with the bonds. The bonds bear interest between the rates of 2.5% & 5.0%, payable semiannually on each June 1 and December 1, commencing on December 1, 2010. The bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2010. The Series 2010 Bonds are subject to an early redemption for bonds maturing on and after December 1, 2021, at the option of the District, as a whole or in integral multiples of \$5,000 on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

With the issuance of the Series 2020 Loan, the Series 2010 Bonds are considered defeased and the outstanding balance has been removed from the governmental activities column of the statement of net position.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

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

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
<u>General Obligation Bonds</u>					
Series 2010 Bonds	\$ 11,585,000	\$ -	\$ 11,585,000	\$ -	\$ -
Bond discount - Series 2010	(75,765)	-	(75,765)	-	-
	<u>11,509,235</u>	<u>-</u>	<u>11,509,235</u>	<u>-</u>	<u>-</u>
<u>Direct Placements</u>					
Series 2020 Loan	-	11,560,000	380,000	11,180,000	390,000
Total debt	<u>\$ 11,509,235</u>	<u>\$ 11,560,000</u>	<u>\$ 11,889,235</u>	<u>\$ 11,180,000</u>	<u>\$ 390,000</u>

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

	Principal	Interest	Total
2021	\$ 390,000	\$ 317,388	\$ 707,388
2022	415,000	306,316	721,316
2023	425,000	294,535	719,535
2024	450,000	283,243	733,243
2025	465,000	269,695	734,695
2026-2030	2,660,000	1,138,451	3,798,451
2031-2035	3,260,000	727,347	3,987,347
2036-2039	3,115,000	225,224	3,340,224
	<u>\$ 11,180,000</u>	<u>\$ 3,562,199</u>	<u>\$ 14,742,199</u>

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$9,230,000. The District has not budgeted to issue any new debt during 2021. Per the District's Service Plan, the District cannot issue debt in excess of \$17,515,000.

Note 5: 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.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

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

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

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

Note 6: 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.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2020

Note 7: Settlement, Emergency Interconnect and Easement Agreements

In February 2009 the District, BMR Metropolitan District (“BMR”), 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 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 assignors. The Settlement Agreement also establishes procedures that must be followed in the event wells are drilled on sites that have not been relocated.

In addition to the Settlement Agreement, various parties including BMR 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 BMR’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 BMR’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 BMR. 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 BMR. 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 8: Regional Facilities Agreement

The District and BMR entered into a Regional Facilities Agreement which provides, among other things, that at such time the 305th residence in the District obtains a certificate of occupancy or December 31, 2008, whichever shall first occur, BMR shall convey all of the assets of the water system to the District for ownership, operation and maintenance. In 2008, the District and BMR entered into a Restated and Amended Regional Facilities Agreement. The Restated and Amended Agreement terminated BMR’s obligation to convey all water system assets to the District in exchange for the control of BMR being transferred to the District’s Board. The District’s five board members now also sit on and constitute the Board of Directors of BMR.

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2020

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds;
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds; and
- 3) bond insurance costs are reported as deferred charges and amortized over the term of the related debt in the government-wide financial statements.

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

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 3) 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 reduction of long-term liabilities.

Note 10: Interfund and Operating Transfers

The transfer of \$350,000 from the General Fund to the Capital Projects Fund was transferred for the purpose of funding future capital improvements.

SUPPLEMENTAL INFORMATION

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 955,375	\$ 955,375	\$ 955,375	\$ -
Interest and other income	<u>20,573</u>	<u>20,573</u>	<u>9,056</u>	<u>(11,517)</u>
 Total Revenues	 <u>975,948</u>	 <u>975,948</u>	 <u>964,431</u>	 <u>(11,517)</u>
 EXPENDITURES				
Loan principal - Series 2020	370,000	370,000	380,000	(10,000)
Loan interest expense - Series 2020	544,251	544,251	290,317	253,934
Cost of issuance	-	-	123,780	(123,780)
Paying agent fees	3,000	3,000	-	3,000
Treasurer's fees	<u>14,346</u>	<u>14,346</u>	<u>14,360</u>	<u>(14)</u>
 Total Expenditures	 <u>931,597</u>	 <u>931,597</u>	 <u>808,457</u>	 <u>123,140</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 44,351	 44,351	 155,974	 111,623
 OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	11,560,000	11,560,000	-
Transfer to escrow agent	<u>-</u>	<u>(11,893,403)</u>	<u>(11,992,815)</u>	<u>99,412</u>
 Total Other Financing Sources (Uses)	 -	 (333,403)	 (432,815)	 (766,218)
 NET CHANGE IN FUND BALANCE	 44,351	 (289,052)	 (276,841)	 (654,595)
 FUND BALANCE:				
BEGINNING OF YEAR	<u>545,495</u>	<u>545,495</u>	<u>563,189</u>	<u>17,694</u>
END OF YEAR	<u>\$ 589,846</u>	<u>\$ 256,443</u>	<u>\$ 286,348</u>	<u>\$ (636,901)</u>

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

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest and other income	\$ 5,000	\$ 29	\$ (4,971)
Total Revenues	<u>5,000</u>	<u>29</u>	<u>(4,971)</u>
EXPENDITURES			
Capital improvements	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Total Expenditures	<u>450,000</u>	<u>-</u>	<u>450,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(445,000)	29	445,029
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	<u>445,000</u>	<u>350,000</u>	<u>(95,000)</u>
Total Other Financing Sources (Uses)	<u>445,000</u>	<u>350,000</u>	<u>(95,000)</u>
NET CHANGE IN FUND BALANCE	-	350,029	350,029
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 350,029</u>	<u>\$ 350,029</u>

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

CONSOLIDATED BELL MOUNTAIN RANCH METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2020

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2008	\$ 18,230,350	15.000	63.869	\$ 1,437,809	\$ 1,430,858	99.52%
2009	\$ 18,241,740	15.000	63.869	\$ 1,438,708	\$ 1,437,544	99.92%
2010	\$ 17,843,860	15.000	63.869	\$ 1,407,327	\$ 1,411,434	100.29%
2011	\$ 17,836,940	16.750	62.119	\$ 1,406,782	\$ 1,404,409	99.83%
2012	\$ 13,888,190	16.750	62.119	\$ 1,095,348	\$ 1,093,905	99.87%
2013	\$ 13,868,770	16.750	62.119	\$ 1,093,816	\$ 1,093,869	100.00%
2014	\$ 13,829,910	16.750	62.119	\$ 1,090,751	\$ 1,090,760	100.00%
2015	\$ 13,849,170	16.750	62.119	\$ 1,092,270	\$ 1,047,654	95.92%
2016	\$ 16,140,110	18.500	56.500	\$ 1,210,508	\$ 1,210,512	100.00%
2017	\$ 16,234,510	25.000	50.000	\$ 1,217,588	\$ 1,217,589	100.00%
2018	\$ 17,133,410	25.000	50.000	\$ 1,285,006	\$ 1,283,318	99.87%
2019	\$ 17,105,770	25.000	50.000	\$ 1,282,933	\$ 1,282,934	100.00%
2020	\$ 19,107,500	25.000	50.000	\$ 1,433,063	\$ 1,433,063	100.00%
Estimated for year ending December 31, 2021	\$ 19,234,190	25.000	40.000	\$ 1,250,223		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.