

Elevation Park Metropolitan District
Financial Statements and Report of Independent Auditor
December 31, 2020

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REPORT OF INDEPENDENT AUDITOR

March 5, 2021

To the Board of Directors
Elevation Park Metropolitan District

Report on the Financial Statements

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, 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 opinions 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 District as of December 31, 2020, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule – general fund as listed in the table of contents be presented to supplement the basic financial statements. Such 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. 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.

Management has omitted 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.

Other 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 budgetary comparison schedules for the capital improvement fund and the debt service fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules for the capital improvement fund and the debt service fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Elevation Park Metropolitan District
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Current Assets	
Equity in pooled cash and investments	\$ 817
Due from County Treasurer	2,272
Property taxes receivable	16,481
Total Current Assets	19,570
Construction in progress	2,906,560
Total Assets	\$ 2,926,130
Liabilities	
Current Liabilities	
Accounts payable	\$ 1,068
Accrued interest payable	100,694
Total Current Liabilities	101,762
Noncurrent Liabilities	
Developer payable including \$30,333 non-capital related	2,936,893
Total Noncurrent Liabilities	2,936,893
Total Liabilities	3,038,655
Deferred Inflows of Resources	
Deferred property tax revenue	16,481
Net Position	
Net investment in capital assets	-
Restricted for emergencies	849
Unrestricted	(129,855)
Total Net Position	(129,006)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,926,130

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

Elevation Park Metropolitan District
Statement of Activities
For the year ended December 31, 2020

	Expenses	Net Expense (Revenue)
Governmental Activities		
General government	\$ 28,312	\$ (28,312)
Interest on long-term debt	100,694	(100,694)
Totals	129,006	
	Change in Net Position	(129,006)
Net Position, beginning of year		-
Net Position, end of year		\$ (129,006)

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

Elevation Park Metropolitan District
Balance Sheets
Governmental Funds
December 31, 2020

	General	Capital Improvement	Debt Service	Total Governmental Funds
Assets				
Cash and investments	\$ 817	\$ -	\$ -	\$ 817
Prepaid expenses	2,272	-	-	2,272
Property taxes receivable	2,747	-	13,734	16,481
Total Assets	<u>\$ 5,836</u>	<u>\$ -</u>	<u>\$ 13,734</u>	<u>\$ 19,570</u>
Liabilities				
Accounts payable	\$ 1,068	\$ -	\$ -	\$ 1,068
Total Liabilities	1,068	-	-	1,068
Deferred Inflows of Resources				
Deferred property tax revenue	2,747	-	13,734	16,481
Fund Balance				
Restricted for emergencies	849	-	-	849
Restricted for debt service	-	-	-	-
Assigned for capital improvements	-	-	-	-
Nonspendable - prepaid expenses	2,272	-	-	2,272
Unassigned	(1,100)	-	-	(1,100)
Total Fund Balance	<u>2,021</u>	<u>-</u>	<u>-</u>	<u>2,021</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,836</u>	<u>\$ -</u>	<u>\$ 13,734</u>	<u>\$ 19,570</u>

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

Elevation Park Metropolitan District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2020

Total Fund Balance	\$ 2,021
Amounts reported for the governmental activities in the Statement of Net Position are different because:	
Capital assets are not financial resources and therefore are not reported in the funds	2,906,560
Bonds payable and other long-term debt is not due and payable in the current period, and therefore is not reported in the governmental funds.	(2,936,893)
Accrued interest payable on outstanding bonds and other long-term debt do not require current financial resources, and therefore are not reported in the governmental funds.	<u>(100,694)</u>
Total Net Position	<u><u>\$ (129,006)</u></u>

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

Elevation Park Metropolitan District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2020

	General	Capital Improvement	Debt Service	Total Governmental Funds
Expenditures				
Current Operating				
Accounting	\$ 3,690	\$ -	\$ -	\$ 3,690
Elections	315	-	-	315
Insurance - other	100	-	-	100
Legal	24,202	-	-	24,202
Miscellaneous	5	-	-	5
Capital outlay	-	2,906,560	-	2,906,560
Total Expenditures	<u>28,312</u>	<u>2,906,560</u>	<u>-</u>	<u>2,934,872</u>
Excess of Revenues Over (Under) Expenditures	(28,312)	(2,906,560)	-	(2,934,872)
Other Financing Sources (Uses)				
Developer advances	30,333	2,906,560	-	2,936,893
Total Other Financing Sources (Uses)	<u>30,333</u>	<u>2,906,560</u>	<u>-</u>	<u>2,936,893</u>
Net change in fund balances	2,021	-	-	2,021
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 2,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,021</u>

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

Elevation Park Metropolitan District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the year ended December 31, 2020

Total net change in fund balances - governmental funds	\$ 2,021
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures in the year the costs are incurred; however, the government-wide financial statements report capital outlays as an addition to capital assets. The cost of capital assets is allocated to expense over the estimated useful lives of the underlying assets.</p>	
Amounts capitalized	2,906,560
<p>Governmental funds report debt proceeds as other financing sources; however, the government-wide financial statements report debt proceeds as increases in long-term debt.</p>	
	(2,936,893)
<p>Accrued interest expense on long-term debt is reported in the Statement of Activities, but does not require the use of current financial resources; therefore, the change in accrued interest expense is not reported as an expenditure in the governmental funds.</p>	
	(100,694)
	<u>\$ (129,006)</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Elevation Park Metropolitan District, herein referred to as the District, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The District was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five-member Board of Directors which is elected by the registered voters within the District. The purpose of the District is to construct public improvements infrastructure for a residential development. The infrastructure is planned to be dedicated to the City of Durango, South Durango Sanitation District, and a yet-to-be-created homeowners association.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

B. Basis of Presentation

GOVERNMENT-WIDE STATEMENTS

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of changes in net position presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are

Elevation Park Metropolitan District
Notes to Financial Statements
December 31, 2020

restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The various funds of the District are outlined in the following paragraphs:

Governmental Funds

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures, other financing uses, and special items) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

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

Capital Improvement Fund - used to account for proceeds from long-term bond obligations and developer advances that are used for major capital and equipment additions.

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

C. Measurement Focus and Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes, other

Elevation Park Metropolitan District
Notes to Financial Statements
December 31, 2020

taxes and fines and penalties. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

FUND FINANCIAL STATEMENTS

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for un-matured principal and interest on general long-term debt, which is recognized when due. Proceeds of general long-term liabilities are reported as other financing sources.

D. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt, by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the Board of County Commissioners.
4. On or before December 31, the Board shall pass an annual appropriating resolution in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. The District's budgets are adopted on a basis consistent with generally accepted accounting principles for governmental entities. Annual appropriated budgets are adopted for all funds. The level of control in the budget at which expenditures exceed appropriations is at the fund level.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.

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Notes to Financial Statements
December 31, 2020

7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on final legally amended budgets.
8. Budget appropriations lapse at the end of each year.

The District legally adopted annual budgets for all of the District's funds for 2020. There were no supplemental appropriations during the current year.

E. Restricted Assets and Classification of Fund Balance

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. It is the District's policy to use restricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

In the governmental fund financial statements fund balance is reported in five classifications.

Nonspendable: Nonspendable is that portion of fund balance that are not in spendable form, for example prepaid expenses or inventories. The District had nonspendable fund balance for prepaid expenses at year end.

Restricted: The Colorado Constitution as amended by TABOR (see separate statutory compliance note) requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. Additionally, the District expects to have restricted fund balance for capital outlay and debt service when it issues bonds. It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Committed: Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. The District does not have any committed fund balance at year end. It is the District's policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Assigned: Assignments of fund balance are designated by District management. Fund balance in the Capital Improvements Fund is assigned for future capital improvements. The District does not have any assigned fund balance at year end.

Unassigned: Fund balance that has not been reported in any other classification is reported as unassigned.

F. Property Taxes Receivable and Deferred Revenue

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1st of the following year, payable in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by La Plata County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31; however, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue.

G. Capital Assets

All capital assets purchased or acquired with an original cost in excess of the capitalization thresholds set by the District are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of the donation. Repairs and maintenance are recorded as expenditures as incurred; while additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. All capital assets acquired have been dedicated to other local governments in accordance with the District's service plan.

I. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

CASH AND INVESTMENTS

The District's policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills, and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Investments are reported at fair value which is determined using selected bases. Short term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimates fair value.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. 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

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Notes to Financial Statements
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all the uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

There is no custodial credit risk for public deposits collateralized under PDPA.

In order to facilitate the recording of cash transactions and maximize interest earnings, the District has pooled cash deposits for all funds. The District maintains accountability for each fund's equity in pooled cash. Interest earnings for combined funds are generally distributed based on monthly cash balances.

At December 31, 2020, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation (FDIC) or in eligible depositories as required by PDPA in accordance with state statute, and had total balances (as reflected on the bank's records, before outstanding items) on deposit of \$817 which was covered by FDIC insurance.

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conform to all federal, state and local statutes governing the investment of public funds. This applies to the investment of all financial assets of all funds of the District over which it exercises financial control.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank

General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies

Bankers' acceptances of certain banks

Certain securities lending agreements

Commercial paper

Written repurchase agreements collateralized by certain authorized securities

Certain money market funds

Guaranteed investment contracts

Elevation Park Metropolitan District
Notes to Financial Statements
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Local government investment pools

The investing local government's own securities including certificates of participation and lease obligations.

The District held no investments at December 31, 2020.

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, Deposit and Investment Risk Disclosures, are included below.

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits District investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The District has no investments at December 31, 2020.

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District has no formal policy limits on the amount the District may invest in any one issuer; however, the District plans to follow general guidelines for investments to ensure proper diversification by security type and institution. The District holds no investments at December 31, 2020.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District has no formal investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates. However, the District plans to follow general guidelines for investments to avoid undue concentration in any sector of the yield curve. The District holds no investments at December 31, 2020.

The District was not subject to foreign currency risk as of December 31, 2020.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates that the fair values of its 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.

Elevation Park Metropolitan District
Notes to Financial Statements
December 31, 2020

CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>
Non-depreciated:				
Construction in progress	\$ -	\$ 2,906,560	\$ -	\$ 2,906,560
	<u>\$ -</u>	<u>\$ 2,906,560</u>	<u>\$ -</u>	<u>\$ 2,906,560</u>

Depreciation is calculated using the straight-line method. There was no depreciation expense reported for 2020.

LONG-TERM OBLIGATIONS

	<u>12/31/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u>	<u>Due Within One Year</u>
Developer advances - capital	\$ -	\$ 2,906,560	\$ -	\$ 2,906,560	\$ -
Developer advances - operating	-	30,333	-	30,333	-
	<u>\$ -</u>	<u>\$ 2,936,893</u>	<u>\$ -</u>	<u>\$ 2,936,893</u>	<u>\$ -</u>

Developer Advances

The developer of the area within the District has advanced funds to the District for capital outlay and for operating needs. Reimbursement of these advances will be made as funds are available, the timing of which is not known at this time. These advances bear interest at the Wall Street Journal prime rate plus 2% which calculated as 5.25% at December 31, 2020.

The District has an authorized debt limit of \$5,000,000 of which \$0 has been issued.

CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives represent that no claims have been asserted against the District and they are not aware of any un-asserted possible claims or litigation as of December 31, 2020.

RISK MANAGEMENT

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

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three years. The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional

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Notes to Financial Statements
December 31, 2020

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. During the year ended December 31, 2020, the Pool made no distributions to the District.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2019 is as follows:

Assets	<u>\$ 55,602,023</u>
Liabilities	<u>\$ 33,163,342</u>
Surplus	<u>22,438,681</u>
	<u>\$ 55,602,023</u>
Revenues	\$ 23,610,572
Expenses	<u>25,355,739</u>
Net Income (Loss)	<u>\$ (1,745,167)</u>

STATUTORY COMPLIANCE

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extensions of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for financing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2020 is \$849.

Elevation Park Metropolitan District
Notes to Financial Statements
December 31, 2020

During formation of the District, its voters approved the removal of the application of certain requirements of TABOR to the District.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

REQUIRED SUPPLEMENTARY INFORMATION

Elevation Park Metropolitan District
 Budgetary Comparison Schedule
 General Fund
 For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures				
Accounting	\$ 10,000	\$ 10,000	\$ 3,690	\$ 6,310
Elections	1,000	1,000	315	685
Insurance - other	5,000	5,000	100	4,900
Legal	25,000	25,000	24,202	798
Miscellaneous	250	250	5	245
Contingency	8,750	8,750	-	8,750
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>28,312</u>	<u>21,688</u>
Excess of Revenues Over (Under) Expenditures	(50,000)	(50,000)	(28,312)	21,688
Other Financing Sources (Uses)				
Developer advances	<u>50,000</u>	<u>50,000</u>	<u>30,333</u>	<u>(19,667)</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>30,333</u>	<u>(19,667)</u>
Net change in fund balances	-	-	2,021	2,021
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,021</u>	<u>\$ 2,021</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

Elevation Park Metropolitan District
 Budgetary Comparison Schedule
 Capital Improvement Fund
 For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
System development fees	\$ 65,000	\$ 65,000	\$ -	\$ (65,000)
Total Revenues	65,000	65,000	-	(65,000)
Expenditures				
Capital outlay	3,450,000	3,450,000	2,906,560	543,440
Contingency	-	-	-	-
Total Expenditures	3,450,000	3,450,000	2,906,560	543,440
Excess of Revenues Over (Under) Expenditures	(3,385,000)	(3,385,000)	(2,906,560)	(608,440)
Other Financing Sources (Uses)				
Transfers in	2,400,000	2,400,000	-	(2,400,000)
Developer advances	1,000,000	1,000,000	2,906,560	1,906,560
Total Other Financing Sources (Uses)	3,400,000	3,400,000	2,906,560	(493,440)
Net Change in Fund Balances	15,000	15,000	-	(1,101,880)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ 15,000	\$ 15,000	\$ -	\$ (1,101,880)

Elevation Park Metropolitan District
 Budgetary Comparison Schedule
 Debt Service Fund
 For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures				
Debt Service				
Trustee fees	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Contingency	-	-	-	-
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Excess of Revenues Over (Under) Expenditures	(100,000)	(100,000)	-	100,000
Other Financing Sources (Uses)				
Transfers out	(2,400,000)	(2,400,000)	-	2,400,000
Debt issued	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>