

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
Elbert County, Colorado

FINANCIAL STATEMENTS
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Elkhorn Ranch Metropolitan District No. 1
Elbert County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Elkhorn Ranch Metropolitan District No. 1 (District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 Elkhorn Ranch Metropolitan District No. 1, as of December 31, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elkhorn Ranch Metropolitan District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Colorado state statutes require that subdivision developers dedicate specific land for public use. Developers can pay fees-in-lieu of dedicating real property. For the District there are fees-in-lieu of property dedication at the Denver Foundation. Management does not believe the District is acting as a fiduciary for these funds as the ultimate recipient is not known. As these funds cannot be spent for District purposes, the District does not believe it is their asset and the substance over the form of this transaction is the funds were expended when deposited with the Foundation. As a result, this account with a balance of \$316,121 at December 31, 2021 is not included in these financial statements.

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Elkhorn Ranch Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Elkhorn Ranch Metropolitan District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elkhorn Ranch Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned timing or the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management Discussion & 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elkhorn Ranch Metropolitan District No. 1's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rae & co. CPAs, LLC

Timnath, Colorado
August 15, 2022

BASIC FINANCIAL STATEMENTS

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

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS						
Cash and investments - unrestricted	\$ 256,451	\$ 18,000	\$ 374,286	\$ 648,737	\$ -	\$ 648,737
Cash with County Treasurer	3,766	9,593	-	13,359	-	13,359
Property taxes receivable	248,102	574,179	-	822,281	-	822,281
Prepaid expenditures	2,527	-	-	2,527	-	2,527
Cash and investments - restricted	-	33,027	-	33,027	-	33,027
Capital assets not being depreciated	-	-	-	-	240,000	240,000
Capital assets being depreciated, net	-	-	-	-	4,352	4,352
Total assets	<u>\$ 510,846</u>	<u>\$ 634,799</u>	<u>\$ 374,286</u>	<u>\$ 1,519,931</u>	<u>244,352</u>	<u>1,764,283</u>
LIABILITIES						
Accounts payable	\$ 3,729	\$ -	\$ -	\$ 3,729	-	3,729
Accrued interest payable	-	-	-	-	23,526	23,526
Loan payable:						
Due within one year	-	-	-	-	355,000	355,000
Due in more than one year	-	-	-	-	8,305,000	8,305,000
Total liabilities	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>3,729</u>	<u>8,683,526</u>	<u>8,687,255</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property tax revenue	248,102	574,179	-	822,281	-	822,281
Total deferred inflows of resources	<u>248,102</u>	<u>574,179</u>	<u>-</u>	<u>822,281</u>	<u>-</u>	<u>822,281</u>
FUND BALANCES						
Nonspendable:						
Prepaid expenditures	2,527	-	-	2,527	(2,527)	
Restricted for:						
Emergency reserves	8,237	-	-	8,237	(8,237)	
Debt service	-	60,620	-	60,620	(60,620)	
Road improvements	-	-	74,286	74,286	(74,286)	
Assigned for:						
Road improvements	-	-	300,000	300,000	(300,000)	
Operations	190,622	-	-	190,622	(190,622)	
For future year spending	57,629	-	-	57,629	(57,629)	
Total fund balances	<u>259,015</u>	<u>60,620</u>	<u>374,286</u>	<u>693,921</u>	<u>(693,921)</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 510,846</u>	<u>\$ 634,799</u>	<u>\$ 374,286</u>	<u>\$ 1,519,931</u>	<u>(1,519,931)</u>	
NET POSITION						
Net investment in capital assets					73,657	(73,657)
Restricted for:						
Emergency reserves					(3,130)	3,130
Debt service					(60,620)	60,620
Road improvements					(74,286)	74,286
Unrestricted					7,809,632	(7,809,632)
Total net position					<u>\$ (7,745,253)</u>	<u>\$ (7,745,253)</u>

The notes are an integral part of these statements

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES:						
Taxes:						
Property taxes	\$ 232,551	\$ 592,404	\$ -	\$ 824,955	\$ -	\$ 824,955
Specific Ownership tax	41,619	106,021	-	147,640	-	147,640
Investment earnings	385	578	-	963	-	963
Total revenues	<u>274,555</u>	<u>699,003</u>	<u>-</u>	<u>973,558</u>	<u>-</u>	<u>973,558</u>
EXPENDITURES AND EXPENSES						
Current:						
County Treasurer's fee	6,945	17,692	-	24,637	-	24,637
Directors fees and taxes	2,428	-	-	2,428	-	2,428
District management and accounting	32,145	-	-	32,145	-	32,145
Audit fee	4,600	-	-	4,600	-	4,600
Insurance and bonds	2,906	-	-	2,906	-	2,906
Legal	27,389	-	-	27,389	-	27,389
Repairs and maintenance	3,740	-	-	3,740	-	3,740
Other	2,087	-	-	2,087	-	2,087
Contingencies	-	-	-	-	-	-
Depreciation	-	-	-	-	1,088	1,088
Debt Service:						
Principal	-	340,000	-	340,000	(340,000)	-
Interest	-	459,726	-	459,726	(122,468)	337,258
Paying agent fees	-	3,501	-	3,501	-	3,501
Bond issuance costs	-	89,500	-	89,500	-	89,500
Current refunding escrow	-	93,069	-	93,069	(93,069)	-
Total expenditures and other financing uses	<u>82,240</u>	<u>1,003,488</u>	<u>-</u>	<u>1,085,728</u>	<u>(554,449)</u>	<u>531,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>192,315</u>	<u>(304,485)</u>	<u>-</u>	<u>(112,170)</u>	<u>554,449</u>	<u>442,279</u>
OTHER FINANCING SOURCES (USES)						
Payment to current refunding escrow agent	-	(8,564,917)	-	(8,564,917)	8,564,917	-
Prepayment penalty on notes payable	-	(161,035)	-	(161,035)	-	(161,035)
Refunding bond proceeds	-	9,000,000	-	9,000,000	(9,000,000)	-
Transfers in	-	-	300,000	300,000	(300,000)	-
Transfers (out)	(300,000)	-	-	(300,000)	300,000	-
Total other financing sources (uses)	<u>(300,000)</u>	<u>274,048</u>	<u>300,000</u>	<u>274,048</u>	<u>(435,083)</u>	<u>(161,035)</u>
NET CHANGE IN FUND BALANCES	<u>(107,685)</u>	<u>(30,437)</u>	<u>300,000</u>	<u>161,878</u>	<u>(161,878)</u>	
CHANGE IN NET POSITION					<u>(281,244)</u>	<u>281,244</u>
FUND BALANCES /NET POSITION						
- BEGINNING OF YEAR	<u>366,700</u>	<u>91,057</u>	<u>74,286</u>	<u>532,043</u>	<u>-</u>	<u>(8,026,497)</u>
FUND BALANCES/NET POSITION - END - END OF YEAR	<u>\$ 259,015</u>	<u>\$ 60,620</u>	<u>\$ 374,286</u>	<u>\$ 693,921</u>	<u>\$ -</u>	<u>\$ (7,745,253)</u>

The notes are an integral part of these statements

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES				
Taxes:				
Property taxes	\$ 232,551	\$ 232,551	\$ 232,551	\$ -
Specific Ownership tax	34,883	34,883	41,619	6,736
Investment earnings	2,000	2,000	385	(1,615)
Total revenues and other financing sources	<u>269,434</u>	<u>269,434</u>	<u>274,555</u>	<u>5,121</u>
EXPENDITURES AND OTHER FINANCING USES				
Current:				
County Treasurer's fee	6,977	6,977	6,945	32
Directors fees and taxes	2,000	2,000	2,428	(428)
District management and accounting	23,000	29,500	32,145	(2,645)
Audit fee	4,600	4,600	4,600	-
Insurance and bonds	8,000	8,000	2,906	5,094
Legal	15,000	65,000	27,389	37,611
Repairs and maintenance	30,000	30,000	3,740	26,260
Other	15,000	15,000	2,087	12,913
Contingencies	8,100	8,100	-	8,100
Transfers out	350,000	275,000	300,000	(25,000)
Total expenditures and other financing uses	<u>462,677</u>	<u>444,177</u>	<u>382,240</u>	<u>61,937</u>
NET CHANGE IN FUND BALANCES	(193,243)	(174,743)	(107,685)	67,058
FUND BALANCE - BEGINNING OF YEAR	<u>340,529</u>	<u>366,700</u>	<u>366,700</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 147,286</u>	<u>\$ 191,957</u>	<u>\$ 259,015</u>	<u>\$ 67,058</u>

The notes are an integral part of these statements

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 - DEFINITION OF REPORTING ENTITY

Elkhorn Ranch Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on June 18, 2002 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in Elbert County, Colorado (County).

The District was established principally to coordinate the construction, acquisition, financing and maintenance of public improvements, including streets and safety control, landscaping, water, sewer, storm drainage, television relay, and park and recreation improvements and facilities. Upon completion of construction, the District's dedicated public improvements to the County, the Arapahoe Water and Wastewater Authority, the Homeowner's Association, and other local governments. Certain landscaping, park and recreation improvements, and street lighting continue to be maintained by the District.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization (the organization) in a primary government's legal entity. The criteria considered in determining activities to be reported within the District's basic financial statements include whether:

- The organization is legally separate (can sue and be sued in their own name),
- The District appoints a voting majority of the organization's board,
- The District is able to impose its will on the organization,
- The organization has the potential to impose a financial benefit/burden on the District, and
- There is a fiscal dependency by the organization on the District.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

The Government-wide financial statements (i.e., Statement of Net Position column and the Statement of Activities column) report information on all of the non-fiduciary activities of the District. As a general rule, interfund activity is eliminated from the Government-wide financial statements.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Statement of Net Position column on the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Activities column on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

The governmental funds column on the Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

The statement of net position reports all financial and capital resources of the District. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position.

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

Major individual governmental funds are reported as separate columns in the fund financial statements. The District reports the following major funds:

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

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

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

Budgets

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

Pooled Cash and Investments

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 single account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The amounts invested in Federated Hermes Treasury Obligations Fund No. 0398 and local government pools are measured at fair value which is determined by using a net asset value of \$1 per share. GASB requires that the fair value of investments measured at net asset value should not be categorized within the fair value hierarchy. The District has no investments required to be reported under the fair value hierarchy.

Property Taxes

The District's Board of Directors levy property taxes. 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 30 or if in equal installments, at the taxpayer's election, on February 28 and June 15.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (continued)

Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District. Property owners within the boundaries of the District have been assessed \$822,281 in taxes for 2021. Since these taxes are levied for operations during 2022, the taxes are classified as deferred inflows of resources.

Capital Assets

Capital assets, which include open space, landscape and parks, are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Landscaping improvements	20 years
Park and recreation equipment	20 years

Development Fees

The District imposes certain development impact and facility fees on property within the District. The facility fee and infrastructure fee for road improvements are required to be paid upon the closing of a sale to a residential end user for a permanent structure on any lot. The infrastructure fee for road improvements is to be used solely for the improvement of certain access roads into the District. The District records revenues for these fees when they are measurable and available.

On February 10, 2011, the District approved the imposition of an infrastructure support fee in an annual amount for each undeveloped lot within the District. The fee is assessed as of the first day of August until a certificate of occupancy is issued for the undeveloped lot. The infrastructure support fee shall be imposed but waived on a dollar-for-dollar basis to the extent that the owner of at least three or more such undeveloped lots provides any developer advances to the District from January 2 of the year immediately preceding the imposition of the infrastructure support fee to January 1 of the year the infrastructure support fee is imposed. On an annual basis, the District reviews the infrastructure support fee and adjusts it accordingly.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development Fees (continued)

As of December 31, 2021, the District imposed the following fees per single-family equivalent:

Facility fee - \$3,500

Infrastructure fee for road improvements - \$2,220

Infrastructure support fee - \$250

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 revenue continues to be recognized when earned in the government-wide statements. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available and is intended for use.

Net Position

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

The net investment in capital assets consists of capital assets that will be owned by the District, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2021, the District had a deficit net investment in capital assets of \$73,657.

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District had restricted amounts of \$74,286 for road improvements, \$60,620 for debt service and \$8,237 restricted for emergency reserves as of December 31, 2021.

As of December 31, 2021, the District had a deficit unrestricted net position of \$7,814,739. This deficit amount is the result of the District being responsible for the repayment of loans and notes issued for public improvements which were conveyed to other governmental entities.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact. The nonspendable fund balance in the General Fund in the amount of \$2,527 is comprised of prepaid amounts which are not in spendable form.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The restricted fund balance in the General Fund in the amount of \$8,237 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. The restricted fund balance in the Debt Service Fund in the amount of \$60,620 is to be used exclusively for debt service requirements. The restricted fund balance in the Capital Projects Fund in the amount of \$74,286 is to be used exclusively for the improvements of certain access roads into the District as collected through infrastructure fees for road improvements

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority. The fund balance assigned for future year spending in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2022 as well as other funds used for future District operations.

Unassigned fund balance – amounts that are available for any purpose.

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

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments - unrestricted	\$ 648,737
Cash and investments – restricted	<u>33,027</u>
Total cash and investments	<u>\$ 681,764</u>

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

Deposits with financial institutions	\$ 270,192
Investments	<u>411,572</u>
Total cash and investments	<u>\$ 681,764</u>

Cash Deposits

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

At December 31, 2021, the District's cash deposits had a bank and a book balance of \$270,192. Of this amount \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$20,192 was covered by the PDPA.

Investments

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

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

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

The District generally limits its investments to those which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. As of December 31, 2021, the District had the following investments:

Federated Hermes Treasury Obligations	Weighted average 37 days,	\$ 378,545
Fund No0398	weighted average to final 71 days	
Colorado Local Government Liquid	Weighted average to reset 44 days,	33,027
Asset Trust	weighted average life 85 days	
		<u>\$ 411,572</u>

COLOTRUST

During 2021, the District invested in Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The District invests in COLOTRUST PLUS+. This portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by S&P Global Ratings. COLOTRUST does not have any unfunded commitments, redemption restrictions or redemption notice periods.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Federated Hermes Treasury Obligations Fund No0398

During 2021, the District invested in Federated Hermes Treasury Obligations Fund No0398 (the Fund). The Fund relates to the General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Series 2021's restricted investment accounts. It complies with Rule 2a-7's definition of a government money market fund and each share is equal in value to \$1.00. Investments are primarily in short-term U.S. Treasury securities, and repurchase agreements collateralized by U.S. Treasury securities. The Fund is rated AAAM by S&P GlobalRatings and Aaa-mf by Moodys. The Fund is not subject to liquidity fees or redemption gates.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021
Governmental Activities				
Capital assets not being depreciated:				
Open space	\$ 240,000	\$ -	\$ -	\$ 240,000
Total capital assets, not being depreciated	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>
Capital assets being depreciated:				
Landscape and parks	21,766	-	-	21,766
Total capital assets, being depreciated	<u>21,766</u>	<u>-</u>	<u>-</u>	<u>21,766</u>
Less accumulated depreciation for:				
Landscape and parks	(16,326)	(1,088)	-	(17,414)
Total accumulated depreciation	<u>(16,326)</u>	<u>(1,088)</u>	<u>-</u>	<u>(17,414)</u>
Total assets being depreciated, net	<u>5,440</u>	<u>(1,088)</u>	<u>-</u>	<u>4,352</u>
Governmental activities capital assets, net	<u>\$ 245,440</u>	<u>\$ (1,088)</u>	<u>\$ -</u>	<u>\$ 244,352</u>

Depreciation expense is charged to the general government function/program in the Statement of Activities.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Governmental Activities:					
Direct Borrowing Debt:					
G.O. Limited Tax Convertible to Unlimited Tax Refunding Loan Series 2021	\$ -	\$ 9,000,000	\$ (340,000)	\$ 8,660,000	\$ 355,000
G.O. Limited Tax Convertible to Unlimited Tax Refunding and Improvement Loan Series 2018	8,051,766	-	(8,051,766)	-	-
Direct Placement Debt:					
Refunding and Improvement Taxable Subordinate Limited Tax G.O. Promissory Note, Series 2018A	195,671	-	(195,671)	-	-
Refunding and Improvement Taxable Subordinate Limited Tax G.O. Promissory Note, Series 2018B	210,549	-	(210,549)	-	-
Refunding and Improvement Taxable Subordinate Limited Tax G.O. Promissory Note, Series 2018C	200,000	-	(200,000)	-	-
	<u>\$ 8,657,986</u>	<u>\$ 9,000,000</u>	<u>\$ (8,997,986)</u>	<u>\$ 8,660,000</u>	<u>\$ 355,000</u>

Direct Borrowing Debt:

Refunding and Improvement Loan, Series 2021

On July 8, 2021, the District issued a \$9,000,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Loan, Series 2021 (Series 2021 Loan). This refunding was undertaken to reduce the interest rate on the note and future debt service payments, with the majority of the terms remaining substantially the same. As part of the issuance of the loans, the District contributed \$93,069 to the refunding. The loan matures on December 1, 2038. The interest rate on the Series 2021 Loan is 3.26% per annum. Interest is payable semi-annually on June 1 and December 1 each year, and principal is payable on December 1 each year. The Series 2021 Loan is secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes, facility fees (see Note 2) and specific ownership taxes collected by the County and remitted to the District primarily on motor vehicle licensing. The District has a limited number of undeveloped lots. No significant amounts are anticipated to be received from facility fees. The Series 2021 Loan was acquired for the purpose of providing funds (i) to refund the General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Loan, Series 2018 (Series 2018 Loan) (ii) to refinance the 2018A, 2018B and 2018C Notes (iii) and to pay certain costs of issuing the Series 2021 Loan, including the prepayment penalty on the Series 2018 Loan. The Series 2021 Loan may be prepaid at the option of the District, in whole or in part, upon payment of the sum of the principal amount plus accrued interest thereon to the date of prepayment, and a prepayment fee ranging from 0% to 3%, with no prepayment penalty after July 8, 2026.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Significant events of default under the Series 2021 Loan include events of nonpayment, non-compliance with covenants, and concerns related to the ability of the District to remain a going concern.

Immediately upon the occurrence of an Event of Default, the Series 2021 Loan balance shall bear interest at the default rate, and all amounts constituting collateral will be applied to the unpaid principal and accrued interest of the Series 2021 Loan and all other amounts owing or payable to the lender. However, acceleration shall not be remedy for the occurrence of an Event of Default.

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

Year	Principal	Interest	Total Payment
2022	\$ 355,000	\$ 282,316	\$ 637,316
2023	365,000	270,743	635,743
2024	385,000	258,844	643,844
2025	400,000	246,293	646,293
2026	420,000	233,253	653,253
2027- 2031	2,400,000	948,008	3,348,008
2032- 2036	2,985,000	519,970	3,504,970
2037- 2038	1,350,000	66,010	1,416,010
	<u>\$ 8,660,000</u>	<u>\$ 2,825,437</u>	<u>\$ 11,485,437</u>

Refunding and Improvement Loan, Series 2018

On June 19, 2018, the District issued a \$8,875,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Loan, Series 2018 (Series 2018 Loan). The Series 2018 Loan was to mature on June 1, 2028. The interest rate on the Series 2018 Loan was 3.99% per annum.

Direct Placement Debt:

General Obligation Limited Tax Subordinate Promissory Note, Series 2018A

On July 24, 2018, the District issued a \$195,671 Refunding and Improvement Taxable Subordinate Limited Tax General Obligation Promissory Note, Series 2018A (Series 2018A Note). The Series 2018A Note accrued interest at 8% per annum and was to mature on December 31, 2058. The Series 2018A Note was a subordinate obligation of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes and specific ownership taxes.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Limited Tax Subordinate Promissory Note, Series 2018B

On July 24, 2018, the District issued a \$210,549 Refunding and Improvement Taxable Subordinate Limited Tax General Obligation Promissory Note, Series 2018B (Series 2018B Note). The Series 2018B Note accrued interest at 8% per annum and was to mature on December 31, 2058. The Series 2018B Note was a subordinate obligation of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes and specific ownership taxes.

General Obligation Limited Tax Subordinate Promissory Note, Series 2018C

On November 27, 2018, the District issued a \$200,000 Refunding and Improvement Taxable Subordinate Limited Tax General Obligation Promissory Note, Series 2018C (Series 2018C Note). The Series 2018C Note accrued interest at 8% per annum and was to mature on December 31, 2058. The Series 2018C Note is a subordinate obligation of the District secured by and payable from pledged revenues, which consist primarily of ad valorem property taxes and specific ownership taxes.

Authorized Debt

On May 7, 2002, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$30,350,000 at an interest rate not to exceed 18% per annum. As of December 31, 2021, the District had authorized but unissued indebtedness from this election in the following amounts allocated for the following purposes:

	Total Authorized	Remaining at December 31, 2021
Street improvements	\$ 8,400,000	\$ 1,629,168
Park and recreation facilities	1,820,000	1,820,000
Water supply improvements	3,780,000	949,386
Sanitary sewer system	1,000,000	1,000,000
Operations and maintenance	350,000	189,588
Debt refunding	15,000,000	15,000,000
	<u>\$ 30,350,000</u>	<u>\$ 20,588,142</u>

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6 – RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

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

	<u>Effect on Net Position</u>
Long term liabilities such as notes payable, accrued interest payable are not due and payable in the current period, and therefore, are in the funds.	\$ (8,683,526)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	244,352

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

	<u>Effect on Change in Net Position</u>
Governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities. In addition, governmental funds report the proceeds of debt as revenues while it is reported as an increase in long-term debt in the Statement of Net Position.	
Payment of principal	\$ 8,997,986
Debt proceeds	<u>(9,000,000)</u> \$ (2,014)
Governmental funds report interest expense on the modified accrual basis; however, changes in accrued interest is included in interest expense when reported on the full accrual method	122,468
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported net of depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,088)

NOTE 7 -TRANSFERS

During the year ended December 31, 2021, the General Fund transferred \$300,000 to the Capital Projects Fund for future road maintenance projects.

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 8 - RELATED PARTIES

One member of the Board of Directors is an owner of or otherwise associated with the Developer and related companies. During the year, the District paid \$755,749 in principal and accrued interest to those entities. Of the interest paid, \$30,308 is expense of the current year. As a result, at December 31, 2021 no amounts are owed by the District to these companies.

As required by Colorado statute, the Board members filed conflict of interest statements with the Secretary of State's Office.

NOTE 9 - RISK MANAGEMENT

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

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

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

On May 7, 2002, a majority of the District's electors authorized the District to increase taxes \$100,000 annually to pay the District's operations, maintenance and other expenses, without limitation on the mill levy rate imposed, and in amounts sufficient to produce the annual increase or a lesser amount as may be necessary. The proceeds of such taxes and investment income thereon may be collected and spent by the District as a voter-approved revenue change without regard to spending, revenue-raising, or the limitations contained in TABOR or Section 29-1-301, C.R.S. The electors also authorized the District to collect, retain and spend any revenue from sources other than ad valorem taxes annually without regard to any limitations imposed by TABOR.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The World Health Organization (WHO) declared a health emergency on January 20, 2020 and further declared a global pandemic on March 11, 2020. Due to the evolving nature of the COVID-19 pandemic, including variants of COVID-19 and the acceptance and effectiveness of the COVID-19 vaccines, the District cannot predict the scope, duration or extent of the COVID-19 pandemic or any other outbreak may have on the operations or revenues of the District.

In prior years, legislation has been passed which allowed the Board of County Commissioners with the approval of the County Treasurer to reduce, waive or suspend the interest accrued on delinquent property taxes with the effect of slowing down, for a period of time, the collection of these taxes.

SUPPLEMENTAL INFORMATION

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES				
Taxes:				
Property taxes	\$ 592,404	\$ 592,404	\$ 592,404	\$ -
Specific Ownership tax	88,861	88,861	106,021	17,160
Investment earnings	500	500	578	78
Transfers in	350,000	-	-	-
Refunding bonds issued	-	9,000,000	9,000,000	-
Total revenues and other financing sources	<u>1,031,765</u>	<u>9,681,765</u>	<u>9,699,003</u>	<u>17,238</u>
EXPENDITURES AND OTHER FINANCING USES				
Current:				
County Treasurer's fee	17,772	17,772	17,692	80
Debt Service:				
Principal	279,414	340,000	340,000	-
Interest	321,265	459,726	459,726	-
Bond issuance costs	-	91,500	89,500	2,000
Paying agent fees	3,000	3,000	3,501	(501)
Current refunding escrow	-	93,069	93,069	-
Contingencies	-	10,000	-	10,000
Other Financing Uses				
Prepayment penalty on notes payable	-	161,035	161,035	-
Payment to current refunding escrow agent	-	8,564,917	8,564,917	-
Total expenditures and other financing uses	<u>621,451</u>	<u>9,741,019</u>	<u>9,729,440</u>	<u>11,579</u>
NET CHANGE IN FUND BALANCES	410,314	(59,254)	(30,437)	28,817
FUND BALANCE - BEGINNING OF YEAR	<u>751,759</u>	<u>91,057</u>	<u>91,057</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,162,073</u>	<u>\$ 31,803</u>	<u>\$ 60,620</u>	<u>\$ 28,817</u>

ELKHORN RANCH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES AND OTHER FINANCING SOURCES				
Transfers in	\$ -	\$ 275,000	\$ 300,000	\$ 25,000
Total revenues and other financing sources	<u>-</u>	<u>275,000</u>	<u>300,000</u>	<u>25,000</u>
EXPENDITURES				
Road Improvements	<u>74,286</u>	<u>74,286</u>	<u>-</u>	<u>74,286</u>
Total expenditures	<u>74,286</u>	<u>74,286</u>	<u>-</u>	<u>74,286</u>
NET CHANGE IN FUND BALANCES	(74,286)	200,714	300,000	99,286
FUND BALANCE - BEGINNING OF YEAR	<u>74,286</u>	<u>74,286</u>	<u>74,286</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 374,286</u>	<u>\$ 99,286</u>