

STONEGATE VILLAGE METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2019

with

Independent Auditor's Report

C O N T E N T S

Page

| | |
|---|-------|
| <u>Independent Auditor's Report</u> | I |
| <u>Basic Financial Statements</u> | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 4 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 5 |
| Balance Sheet – Proprietary Fund | 6 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund | 7 |
| Statement of Cash Flows – Proprietary Fund | 8 |
| Notes to Financial Statements | 9 |
| <u>Required Supplemental Information</u> | |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund | 27 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund | 28 |
| <u>Supplemental Information</u> | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund | 29 |
| Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis) – Enterprise Fund - Water Activities | 30 |
| Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis) – Enterprise Fund - Sewer Activities | 31 |
| Schedule of Revenues, Expenditures and Changes in Funds Available - Budget and Actual (Budgetary Basis) – Enterprise Fund – Capital Activities | 32 |
| Reconciliation of Revenues and Expenditures Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund | 33 |
| Debt Service Requirements to Maturity | 34 |
| Summary of Assessed Valuation, Mill Levy and Property Taxes Collected | 36 |

Independent Auditor's Report

Board of Directors
Stonegate Village Metropolitan District
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Stonegate Village Metropolitan District (the "District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Stonegate Village Metropolitan District as of December 31, 2019, and the respective changes in financial position and cash flows for the year ended December 31, 2019 in conformity with accounting principles generally accepted in the United States.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States require that the budgetary comparison for information on pages 27 and 28 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 an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplemental information has been subjected to the auditing 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 financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

Wipfli LLP
Lakewood, Colorado

September 29, 2020

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|---|-----------------------------------|------------------------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and investments | \$ 540,779 | \$ 10,240,359 | \$ 10,781,138 |
| Cash and investments - restricted | 451,914 | 3,776,850 | 4,228,764 |
| Accounts receivable - customer | 192,886 | 537,190 | 730,076 |
| Accounts receivable - other | - | 419,248 | 419,248 |
| Accounts receivable - county treasurer | 20,252 | - | 20,252 |
| Property taxes receivable | 2,461,623 | - | 2,461,623 |
| Prepaid expense | 6,527 | 86 | 6,613 |
| Prepaid bond insurance | - | 97,273 | 97,273 |
| Total Current Assets | <u>3,673,981</u> | <u>15,071,006</u> | <u>18,744,987</u> |
| CAPITAL ASSETS | | | |
| Capital assets, net of accumulated depreciation | <u>12,652,461</u> | <u>43,077,658</u> | <u>55,730,119</u> |
| Total Assets | <u>16,326,442</u> | <u>58,148,664</u> | <u>74,475,106</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | <u>1,091,778</u> | - | <u>1,091,778</u> |
| Total deferred outflows of resources | <u>1,091,778</u> | - | <u>1,091,778</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 184,117 | 630,934 | 815,051 |
| Accrued bond interest payable | 38,791 | 89,230 | 128,021 |
| Bonds payable, due within one year | <u>2,410,000</u> | <u>550,000</u> | <u>2,960,000</u> |
| Total Current Liabilities | <u>2,632,908</u> | <u>1,270,164</u> | <u>3,903,072</u> |
| LONG-TERM LIABILITIES | | | |
| Bonds payable, net of current portion | <u>15,100,000</u> | <u>24,897,229</u> | <u>39,997,229</u> |
| Total Liabilities | <u>17,732,908</u> | <u>26,167,393</u> | <u>43,900,301</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property taxes | <u>2,461,623</u> | - | <u>2,461,623</u> |
| Total deferred inflows of resources | <u>2,461,623</u> | - | <u>2,461,623</u> |
| NET POSITION | | | |
| Net investment in capital assets | (4,857,539) | 17,630,429 | 12,772,890 |
| Restricted for: | | | |
| Emergency reserve | 2,185 | - | 2,185 |
| Debt service | 427,063 | - | 427,063 |
| Capital projects | - | 3,776,850 | 3,776,850 |
| Unrestricted: | <u>1,651,980</u> | <u>10,573,992</u> | <u>12,225,972</u> |
| Total Net Position (Deficit) | <u>\$ (2,776,311)</u> | <u>\$ 31,981,271</u> | <u>\$ 29,204,960</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

| <u>Functions/Programs</u> | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|---------------------------------|-------------------------------------|--|-------------------------------------|---------------|
| | <u>Expenses</u> | Operating | | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| | | <u>Charges for Services</u> | <u>Grants and Contributions</u> | | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General government | \$ 725,710 | \$ - | \$ - | \$ (725,710) | \$ - | \$ (725,710) |
| Landscape and recreation | 1,231,292 | 1,169,044 | 47,543 | (14,705) | - | (14,705) |
| Interest and related costs on long-term debt | 697,447 | - | - | (697,447) | - | (697,447) |
| Total Governmental Activities | 2,654,449 | 1,169,044 | 47,543 | (1,437,862) | - | (1,437,862) |
| Business-Type Activities: | | | | | | |
| Water | 4,352,735 | 3,348,618 | - | - | (1,004,117) | (1,004,117) |
| Sewer | 2,743,057 | 2,552,249 | - | - | (190,808) | (190,808) |
| Total Business-Type Activities | 7,095,792 | 5,900,867 | - | - | (1,194,925) | (1,194,925) |
| Total | \$ 9,750,241 | \$ 7,069,911 | \$ 47,543 | (1,437,862) | (1,194,925) | (2,632,787) |
| General Revenues: | | | | | | |
| Property taxes | | | | 2,226,586 | - | 2,226,586 |
| Specific ownership taxes | | | | 223,426 | - | 223,426 |
| Reimbursed expenses | | | | - | 65,615 | 65,615 |
| Net investment income | | | | 46,679 | 266,787 | 313,466 |
| Sustainability fees | | | | 976,837 | - | 976,837 |
| Tap fees | | | | - | 1,385,283 | 1,385,283 |
| Other revenues | | | | 47,252 | 419,248 | 466,500 |
| Transfer (to) from other funds | | | | (776,895) | 776,895 | - |
| Total General Revenues | | | | 2,743,885 | 2,913,828 | 5,657,713 |
| Change in Net Position | | | | 1,306,023 | 1,718,903 | 3,024,926 |
| Net Position: | | | | | | |
| Beginning | | | | (4,082,334) | 30,262,368 | 26,180,034 |
| Ending | | | | \$ (2,776,311) | \$ 31,981,271 | \$ 29,204,960 |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

| | <u>General</u> | <u>Debt Service</u> | <u>Special Revenue</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------------|----------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 497,425 | \$ - | \$ 43,354 | \$ 540,779 |
| Cash and investments - restricted | - | 451,914 | - | 451,914 |
| Accounts receivable - customer | 192,886 | - | - | 192,886 |
| Accounts receivable - county treasurer | 580 | 19,672 | - | 20,252 |
| Property taxes receivable | 67,421 | 2,394,202 | - | 2,461,623 |
| Prepaid expense | <u>6,527</u> | <u>-</u> | <u>-</u> | <u>6,527</u> |
| Total Assets | <u>\$ 764,839</u> | <u>\$ 2,865,788</u> | <u>\$ 43,354</u> | <u>\$ 3,673,981</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 135,031 | \$ 5,732 | \$ 43,354 | \$ 184,117 |
| Total Liabilities | <u>135,031</u> | <u>5,732</u> | <u>43,354</u> | <u>184,117</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred property taxes | <u>67,421</u> | <u>2,394,202</u> | <u>-</u> | <u>2,461,623</u> |
| Total Deferred Inflows of Resources | <u>67,421</u> | <u>2,394,202</u> | <u>-</u> | <u>2,461,623</u> |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Prepays | 6,527 | - | - | 6,527 |
| Restricted for: | | | | |
| Emergency reserve | 2,185 | - | - | 2,185 |
| Debt service | - | 465,854 | - | 465,854 |
| Unassigned | <u>553,675</u> | <u>-</u> | <u>-</u> | <u>553,675</u> |
| Total Fund Balance | <u>562,387</u> | <u>465,854</u> | <u>-</u> | <u>1,028,241</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 764,839</u> | <u>\$ 2,865,788</u> | <u>\$ 43,354</u> | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | | | 12,652,461 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds | | | | |
| Loans payable | | | | (17,510,000) |
| Accrued interest on bonds payable | | | | (38,791) |
| The funds report and bond premiums as expenditures at the time the costs are incurred, but the statement of net position reports these costs as deferred assets and amortizes the costs over the life of the bonds | | | | |
| Bond refunding loss - net | | | | <u>1,091,778</u> |
| Net Position (Deficit) of Governmental Activities | | | | <u>\$ (2,776,311)</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

| | <u>General</u> | <u>Debt Service</u> | <u>Special Revenue</u> | <u>Total</u> |
|--|-------------------|-------------------------|----------------------------|---------------------|
| REVENUES | | | | |
| Property taxes | \$ 63,844 | \$ 2,162,742 | \$ - | \$ 2,226,586 |
| Specific ownership taxes | 6,406 | 217,020 | - | 223,426 |
| Park and recreation fees | 1,131,220 | - | - | 1,131,220 |
| Conservation trust fund | 47,543 | - | - | 47,543 |
| Community center fees | 37,824 | - | - | 37,824 |
| Sustainability fees | - | - | 976,837 | 976,837 |
| Miscellaneous income | 43,743 | - | 3,509 | 47,252 |
| Net investment income | 10,542 | 35,659 | 478 | 46,679 |
| Total Revenues | <u>1,341,122</u> | <u>2,415,421</u> | <u>980,824</u> | <u>4,737,367</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| Administration | 65,206 | 32,451 | 203,929 | 301,586 |
| Parks and recreation | 1,231,292 | - | - | 1,231,292 |
| Debt service: | | | | |
| Principal | - | 2,020,000 | - | 2,020,000 |
| Interest | - | 517,313 | - | 517,313 |
| Total Expenditures | <u>1,296,498</u> | <u>2,569,764</u> | <u>203,929</u> | <u>4,070,191</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 44,624 | (154,343) | 776,895 | 667,176 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer (to) from other funds | - | - | (776,895) | (776,895) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(776,895)</u> | <u>(776,895)</u> |
| NET CHANGE IN FUND BALANCES | 44,624 | (154,343) | - | (109,719) |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | <u>517,763</u> | <u>620,197</u> | - | <u>1,137,960</u> |
| END OF YEAR | <u>\$ 562,387</u> | <u>\$ 465,854</u> | <u>\$ -</u> | <u>\$ 1,028,241</u> |

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

STONEGATE VILLAGE 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, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - Total governmental funds \$ (109,719)

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful lives of the asset. Therefore, this is the amount of capital outlay, net of depreciation, in the current period.

Depreciation expense (424,124)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Debt refunding costs amortization (184,526)
Bond principal payment 2,020,000

Some expenses in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Interest on bonds payable 4,392

Change in Net Position of Governmental Activities \$ 1,306,023

STONEGATE VILLAGE METROPOLITAN DISTRICT

BALANCE SHEET PROPRIETARY FUND December 31, 2019

ASSETS

CURRENT ASSETS

| | |
|-----------------------------------|-------------------|
| Cash and investments | \$ 10,240,359 |
| Cash and investments - restricted | 3,776,850 |
| Accounts receivable - customer | 537,190 |
| Accounts receivable - other | 419,248 |
| Prepaid expense | 86 |
| Prepaid bond insurance | <u>97,273</u> |
| Total Current Assets | <u>15,071,006</u> |

CAPITAL ASSETS

| | |
|----------------------------------|----------------------|
| Water rights | 2,963,385 |
| Water system | 41,295,876 |
| Sewer treatment system and plant | 32,494,480 |
| Less accumulated depreciation | <u>(33,676,083)</u> |
| Net capital assets | <u>43,077,658</u> |
| Total Assets | <u>\$ 58,148,664</u> |

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|------------------------------------|------------------|
| Accounts payable | \$ 630,934 |
| Accrued bond interest payable | 89,230 |
| Bonds payable, due within one year | <u>550,000</u> |
| Total Current Liabilities | <u>1,270,164</u> |

LONG-TERM LIABILITIES

| | |
|---------------------------------------|-------------------|
| Bonds payable, net of current portion | <u>24,897,229</u> |
| Total Liabilities | <u>26,167,393</u> |

NET POSITION

| | |
|------------------------------------|----------------------|
| Net investment in capital assets | 17,630,429 |
| Unrestricted | <u>14,350,842</u> |
| Total Net Position | <u>31,981,271</u> |
| Total Liabilities and Net Position | <u>\$ 58,148,664</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2019

| | |
|--|----------------------|
| OPERATING REVENUES | |
| Water sales | \$ 3,348,618 |
| Sewer charges | 2,552,249 |
| Reimbursements | 65,615 |
| Other income | <u>419,248</u> |
| Total Operating Revenues | <u>6,385,730</u> |
| OPERATING EXPENSES | |
| Accounting / Audit | 64,100 |
| District management | 404,957 |
| Utility billing | 31,493 |
| Engineering/consulting | 172,526 |
| Insurance | 66,989 |
| Legal | 48,403 |
| Miscellaneous / office expenses | 10,878 |
| Website/PR expense | 1,258 |
| Dues and permits | 3,982 |
| Meter set costs | 7,026 |
| Meter read costs | 11,270 |
| Chemicals | 186,971 |
| Operations | 641,632 |
| Operating costs WISE-Renewable Water | 453,823 |
| Lab analysis | 125,418 |
| Maintenance | 439,852 |
| Meter replacement | 8,547 |
| Repair and replacement | 415,368 |
| Utilities and telephone | 840,605 |
| Sludge disposal | 56,019 |
| Well Maintenance | 138,435 |
| Reimbursement expense | 25,522 |
| Debt service - interest | 1,026,229 |
| Custodian fee - debt | 1,100 |
| Depreciation | <u>1,913,389</u> |
| Total Operating Expenses | <u>7,095,792</u> |
| INCOME (LOSS) FROM OPERATIONS | <u>(710,062)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Transfer (to)/from other funds | 776,895 |
| Tap fees | 1,385,283 |
| Interest income | <u>266,787</u> |
| Non-Operating Revenues (Expenses) | <u>2,428,965</u> |
| NET INCOME (LOSS) - CHANGE IN NET POSITION | 1,718,903 |
| NET POSITION - BEGINNING OF YEAR | <u>30,262,368</u> |
| NET POSITION - END OF YEAR | <u>\$ 31,981,271</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended December 31, 2019

| | |
|---|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from customers and users | \$ 5,891,809 |
| Other receipts | 65,615 |
| Payments to suppliers | <u>(4,358,865)</u> |
| Net Cash Provided (Required) by Operating Activities | <u>1,598,559</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Bond principal and interest paid | (1,624,462) |
| Capital improvements | (1,750,035) |
| Tap fees | 1,385,283 |
| Transfer from other funds | <u>776,895</u> |
| Net Cash Provided (Required) by Capital and Related Financing Activities | <u>(1,212,319)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Investment income | <u>266,787</u> |
| Net Cash Provided (Required) by Investing Activities | <u>266,787</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 653,027 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>13,364,182</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 14,017,209</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES | |
| Net income (loss) from operations | \$ (710,062) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES | |
| Depreciation | 1,913,389 |
| Amortization of Bond Premium | (65,488) |
| Interest expense | 1,089,462 |
| Changes in Assets and Liabilities: | |
| Accounts payable | (271,583) |
| Other liabilities | (1,559) |
| Receivables | (428,306) |
| Prepaid expenses | <u>72,706</u> |
| Net Adjustments | <u>2,308,621</u> |
| NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES | <u>\$ 1,598,559</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on July 20, 1983, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to develop and provide construction of arterial streets and landscaping, installation of storm drainage facilities, installation of water and sanitation supply and distribution facilities, and construction and maintenance of recreation facilities, parks and trails. The District’s primary revenues are property taxes, water sales, sewer charges and park and recreation fees. The District is governed by an elected Board of Directors.

Effective as of November 30, 1996, as a result of the Second Amended and Restated Regional Facilities Construction Agreement dated November 22, 1996 with Lincoln Park Metropolitan District, the operation and ownership of the Water and Sewer Funds was conveyed to the District. The District currently provides water and sewer service to both districts’ property service areas.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes, fees and other material income. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Special Revenue Fund – The Special Revenue Fund accounts for the resources accumulated and payments made for the purchase, construction, operation, and maintenance of water resource facilities used by the District. The primary revenue of the fund is a monthly \$15 charge on each customer’s water bill.

The District reports the following major proprietary fund:

Water and Sewer Utility Enterprise Fund – The Water and Sewer Utility Enterprise Fund (“Enterprise Fund”) accounts for the activities associated with providing both potable and non-potable (irrigation) water to the District’s citizens.

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

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Budgetary Accounting

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

Subsequent to year end, the District amended its total appropriations in the Special Revenue Fund from \$889,739 to \$1,000,000 primarily due to higher than expected payments to Compark Business Campus Metropolitan District.

Statement of Cash Flows

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

Assets, Liabilities, and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

Prepaid Bond Insurance Costs and Bond Refunding Costs

The prepaid bond insurance costs from the Series 2014 Wastewater Revenue Bonds and the Series 2015 Water Revenue Bonds and the debt refunding costs from the 2014 GO Refunding Loan and the 2015 GO Refunding Loan are being amortized over the term of the debt using the straight-line method. The bond premiums from the Series 2014 Wastewater Revenue Bonds and the Series 2015 Wastewater Revenue Bonds are being amortized over the term of the bonds using the effective interest method. At December 31, 2019, the accumulated amortizations of the bond insurance costs, the bond premium and the bond refunding costs were \$18,613, \$305,199, and \$861,121, respectively.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Capital Assets

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

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| | |
|----------------------|----------|
| Vehicles | 3 years |
| Parks and recreation | 20 years |
| Water system | 30 years |
| Sewer system | 30 years |

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$6,527 represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,185 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$465,854 is restricted for the payment of the debt service costs associated with the Series 2014 and 2015 General Obligation Refunding and Improvement loans (see Note 4).

Committed Fund Balance

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

Assigned Fund Balance

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Unassigned Fund Balance

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

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

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

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

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

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

Note 2: Cash and Investments

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

| | |
|-----------------------------------|----------------------|
| Statement of Net Position: | |
| Cash and investments | \$ 10,781,138 |
| Cash and investments – Restricted | <u>4,228,764</u> |
| Total | \$ <u>15,009,902</u> |

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

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

| | |
|--------------------------------------|----------------------|
| Deposits with financial institutions | \$ 4,204,505 |
| Investments – COLOTRUST | <u>10,805,397</u> |
| | \$ <u>15,009,902</u> |

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured depositories and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits was exposed to custodial credit risk.

Investments

Investment Valuation

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

Credit risk

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

Custodial and Concentration of Credit Risk

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Interest Rate Risk

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

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST” or the “Trust”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2019, the District had \$10,805,397 invested in COLOTRUST.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets

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

| | Balance 1/1/2019 | Additions | Deletions | Balance 12/31/2019 |
|--|----------------------|---------------------|-------------------|-----------------------|
| <u>Governmental Activities:</u> | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Street landscaping | \$ 3,386,545 | \$ - | \$ - | \$ 3,386,545 |
| Landscaping | 850,806 | - | - | 850,806 |
| Construction in progress | 2,089,646 | - | - | 2,089,646 |
| Total capital assets not being depreciated: | <u>6,326,997</u> | <u>-</u> | <u>-</u> | <u>6,326,997</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Recreation center | 4,077,955 | - | - | 4,077,955 |
| Other recreation equipment/fences | 1,297,011 | - | - | 1,297,011 |
| Vehicles | 6,000 | - | - | 6,000 |
| Reservoir | 6,700,234 | - | - | 6,700,234 |
| Total capital assets being depreciated: | 12,081,200 | - | - | 12,081,200 |
| Accumulated Depreciation | 5,331,612 | 424,124 | - | 5,755,736 |
| Net capital assets being depreciated: | <u>6,749,588</u> | <u>(424,124)</u> | <u>-</u> | <u>6,325,464</u> |
| Governmental assets, net | <u>\$ 13,076,585</u> | <u>\$ (424,124)</u> | <u>\$ -</u> | <u>\$ 12,652,461</u> |
| <u>Business-Type Activities:</u> | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Water rights | \$ 2,963,385 | \$ - | \$ - | \$ 2,963,385 |
| Construction in progress - Water system | 694,772 | 1,750,035 | 694,772 | 1,750,035 |
| Construction in progress - Sewer system | 27,925 | - | 27,925 | - |
| Total capital assets not being depreciated: | <u>3,686,082</u> | <u>1,750,035</u> | <u>722,697</u> | <u>4,713,420</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Water system | 38,851,069 | 694,772 | - | 39,545,841 |
| Sewer system | 32,466,555 | 27,925 | - | 32,494,480 |
| Total capital assets being depreciated: | 71,317,624 | 722,697 | - | 72,040,321 |
| Accumulated Depreciation | 31,762,694 | 1,913,389 | - | 33,676,083 |
| Net capital assets being depreciated: | <u>39,554,930</u> | <u>(1,190,692)</u> | <u>-</u> | <u>38,364,238</u> |
| Business-type assets, net | <u>\$ 43,241,012</u> | <u>\$ 559,343</u> | <u>\$ 722,697</u> | <u>\$ 43,077,658</u> |

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Depreciation is charged to the general government function in the government-wide financial statements. Upon completion and acceptance, all of the governmental activities fixed assets except for the landscaping, parks and recreation, vehicles and the reservoir will be conveyed by the District to other local governments. The District will not be responsible for maintenance of fixed assets conveyed to other governmental entities.

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2019, is as follows:

\$34,575,000 General Obligation Refunding and Improvement Bonds, Series 2006

On November 20, 2006, the District advance refunded and defeased (debt legally satisfied) \$31,335,000 of its Series 1996 General Obligation Refunding Bonds, dated November 1, 1996, by the issuance of \$34,575,000 General Obligation Refunding and Improvement Bonds, Series 2006 dated November 30, 2006. The bonds bear interest at a rate ranging from 3.50% to 4.00%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2006. The bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2007. Bonds maturing prior to December 1, 2015 are subject to early redemption prior to their respective maturities at the option of the District at a redemption price equal to the principal amount so redeemed plus accrued interest without a redemption premium. The bonds are secured by Pledged Revenues including property tax revenues, tap fees and cash reserves in the Debt Service Fund. The scheduled payment of principal and interest are guaranteed under an insurance policy by MBIA Insurance Company (MBIA). During 2009, Standard & Poor's downgraded its rating of MBIA to "BB+". The bonds were issued to provide \$32,491,596 in order to refund the Series 1996 bonds as well as to provide \$6,000,000 of funds for capital improvements and to reduce the interest rate. The net present value savings as a result of the refunding was approximately \$3,078,000. The District received a premium of \$1,940,977 and incurred bond refunding costs of \$298,348, both of which are being amortized over the life of the Series 2006 bonds in the statement of net position and the statement of activities. The Series 2006 Bonds were fully defeased on April 21, 2015, with the issuance of the Series 2015 Loan.

\$9,300,000 General Obligation Refunding Loan, Series 2014

On November 25, 2014, the District advance refunded and defeased (debt legally satisfied) \$9,985,000 of its Series 2006 General Obligation Refunding Bonds, from the issuance of a \$9,300,000 General Obligation Refunding Loan, Series 2014 ("Series 2014 Loan"). The Series 2014 Loan bears interest at a rate of 2.60%. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2015. The Series 2014 Loan is subject to scheduled principal payments commencing on December 1, 2015. On or after December 1, 2018, the Series 2014 Loan is subject to optional prepayments without a prepayment penalty with 30 days' notice. The Series 2014 Loan was issued to provide \$9,157,908 in order to refund a portion of the Series 2006 bonds. The net present value savings as a result of the refunding was approximately \$388,500. The District incurred refunding costs of \$1,380,695 which are being amortized over the life of the Series 2014 loan in the statement of net position and the statement of activities.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

\$17,120,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2015.

On April 21, 2015, the District advance refunded and defeased (debt legally satisfied) the remaining outstanding balance of its Series 2006 General Obligation Refunding Bonds, from the issuance of a \$17,120,000 Taxable (Convertible to Tax-Exempt) General Obligation Refunding Loan, Series 2015 (“Series 2015 Loan”). The Series 2015 Loan bears interest at a rate of 3.81% to the conversion date of December 1, 2016 and 2.65% thereafter. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2015. The Series 2015 Loan is subject to scheduled principal payments commencing on December 1, 2015. On or after December 1, 2018, the Series 2015 Loan is subject to optional prepayments without a prepayment penalty with 30 days’ notice. The Series 2015 Loan was issued to provide \$16,938,045 in order to refund the balance of the Series 2006 bonds.

As a result of the issuance of the Series 2015 Loan, the refunded bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by \$1,952,899. This amount is recorded as a deferred outflow and is being amortized over the original remaining life of the refunded bonds. The refunding resulted in an economic gain of approximately \$353,000 due to the average interest rate of the Series 2015 Loan being lower than the refunded bonds.

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2014 Loan and Series 2015 Loan:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|----------------------|---------------------|----------------------|
| 2020 | \$ 2,410,000 | \$ 465,491 | \$ 2,875,491 |
| 2021 | 2,750,000 | 400,790 | 3,150,790 |
| 2022 | 2,885,000 | 327,797 | 3,212,797 |
| 2023 | 3,015,000 | 251,220 | 3,266,220 |
| 2024 | 3,150,000 | 171,495 | 3,321,495 |
| 2025 | <u>3,300,000</u> | <u>87,593</u> | <u>3,387,593</u> |
| | <u>\$ 17,510,000</u> | <u>\$ 1,704,386</u> | <u>\$ 19,214,386</u> |

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

\$13,040,000 Wastewater Enterprise Revenue Bonds, Series 2014

On May 2, 2014, the District issued \$13,040,000 of Wastewater Revenue Bonds, Series 2014 (“Series 2014 Bonds”). The Series 2014 Bonds bear interest at rates ranging from 3.00% to 5.00%. Interest is payable semiannually on each June 1 and December 1, commencing on June 1, 2014. The Series 2014 Bonds are subject to scheduled principal payments commencing on December 1, 2014. Bonds maturing after December 1, 2022 are subject to optional redemption on or after December 1, 2022 at par. The Series 2014 Bonds are secured by the net revenues of the sewer activity of the District’s enterprise fund. The Series 2014 Bonds were issued to provide \$13,200,000 for the rehabilitation of the sanitary sewer system. The District received a premium of \$417,963 and incurred insurance costs of \$52,235, both of which are being amortized over the life of the Series 2014 Bonds in the statement of net position and the statement of activities.

\$13,825,000 Water Enterprise Revenue Bonds, Series 2015

On October 28, 2015, the District issued \$13,825,000 of Water Revenue Bonds, Series 2015 (“Series 2015 Bonds”). The Series 2015 Bonds bear interest at rates ranging from 2.00% to 5.00%. Interest is payable semiannually on each June 1 and December 1, commencing on December 1, 2015. The Series 2015 Bonds are subject to scheduled principal payments commencing on December 1, 2015. Bonds maturing after December 1, 2023 are subject to optional redemption on or after December 1, 2022 at par. The Series 2015 Bonds are secured by the net revenues of the water activity of the District’s enterprise fund. The Series 2015 Bonds were issued to finance improvements to the District’s water system and pay the costs of issuing the Series 2015 Bonds. The District received a premium of \$914,465 and incurred insurance costs of \$63,649, both of which are being amortized over the life of the Series 2015 Bonds in the statement of net position and the statement of activities.

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2014 Bonds and Series 2015 Bonds:

| | Principal | Interest | Total |
|-----------|----------------------|----------------------|----------------------|
| 2020 | \$ 550,000 | \$ 1,070,762 | \$ 1,620,762 |
| 2021 | 570,000 | 1,051,512 | 1,621,512 |
| 2022 | 595,000 | 1,028,712 | 1,623,712 |
| 2023 | 615,000 | 1,004,912 | 1,619,912 |
| 2024 | 650,000 | 974,162 | 1,624,162 |
| 2025-2029 | 3,710,000 | 4,396,001 | 8,106,001 |
| 2030-2034 | 4,495,000 | 3,609,656 | 8,104,656 |
| 2035-2039 | 5,565,000 | 2,542,600 | 8,107,600 |
| 2040-2044 | 6,865,000 | 1,243,650 | 8,108,650 |
| 2045 | 805,000 | 40,250 | 845,250 |
| | <u>\$ 24,420,000</u> | <u>\$ 16,962,218</u> | <u>\$ 41,382,218</u> |

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

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

| | Balance 1/1/2019 | Additions | Deletions | Balance 12/31/2019 | Current Portion |
|--|----------------------|-------------|-----------------------|-----------------------|---------------------|
| GO Refunding Loan - Series 2014 | \$ 7,530,000 | \$ - | \$ (885,000) | \$ 6,645,000 | \$ 980,000 |
| Wastewater Revenue Bonds - Series 2014 | 11,885,000 | - | (265,000) | 11,620,000 | 275,000 |
| GO Refunding Loan - Series 2015 | 12,000,000 | - | (1,135,000) | 10,865,000 | 1,430,000 |
| 2015 Water Enterprise Revenue Bonds | 13,070,000 | - | (270,000) | 12,800,000 | 275,000 |
| Bond premium (net) 2014 Revenue Bonds | 322,659 | - | (19,928) | 302,731 | - |
| Bond premium (net) 2015 Revenue Bonds | 770,058 | - | (45,560) | 724,498 | - |
| | <u>\$ 45,577,717</u> | <u>\$ -</u> | <u>\$ (2,620,488)</u> | <u>\$ 42,957,229</u> | <u>\$ 2,960,000</u> |

Debt Authorization

As of December 31, 2019, the District had remaining voted debt authorization of approximately \$69,770,000 from an election held December 22, 1987 at an interest rate not to exceed 18%. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable. The continued validity of the remaining general obligation from 1987 debt authorization may be in question as a result of Article X, Section 20 of the Constitution of the State of Colorado (see Note 7).

Note 5: Segment Information

The District's enterprise fund provides water and sewer services. Segment information for the year ended December 31, 2019, was as follows:

| | Water | Sewer | Total |
|-----------------------------|---------------|---------------|---------------|
| Operating revenue | \$ 3,833,481 | \$ 2,552,249 | \$ 6,385,730 |
| Depreciation | \$ 1,094,617 | \$ 818,772 | \$ 1,913,389 |
| Net operating income (loss) | \$ (519,254) | \$ (190,808) | \$ (710,062) |
| Total capital assets | \$ 26,815,340 | \$ 16,262,318 | \$ 43,077,658 |

Note 6: Intergovernmental Agreements

Rueter-Hess Reservoir Storage Easement

In 2008, the District entered into an agreement with Parker Water and Sanitation District ("Parker"), whereby Parker granted a water storage easement to the District in the Rueter-Hess Reservoir. The easement is a permanent, non-exclusive right for the District to use 1,200 acre feet of reservoir storage capacity. The total cost to the District relating to the easement was \$6,644,394, of which \$6,637,666 pertained to the easement agreement.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Regional Facilities Construction Agreement

On November 22, 1996, the District entered into a Second Amended and Restated Regional Facilities and Construction Agreement with Lincoln Park Metropolitan District (“Lincoln Park”) to replace a previous agreement between the parties dated April 15, 1992. This agreement provides that all rights, title and interest, including water rights, that Lincoln Park has in the water and sanitary sewer system, which serves both districts, were conveyed to the District. Certain water, sanitary sewer and street improvements, as defined in the agreement, within Lincoln Park’s boundaries were to be constructed and financed by the District. Any costs incurred within Lincoln Park’s boundaries that were not identified in the agreement were to be paid by Lincoln Park. The District will continue to own, operate and maintain the recreational and park facilities as well as the water and sewer facilities.

The Districts agreed that the first 2,531 single family ¾ inch water tap equivalents (SFEs) to be developed and delivered through the water facilities, as well as the water capacity necessary to serve certain irrigation properties within Lincoln Park’s boundaries were to be dedicated in perpetuity to supply water taps in the District. Water taps in excess of the above are dedicated to Lincoln Park. The District, Lincoln Park and the Developer have agreed to share pro rata the costs to maintain water rights in the Augmentation Plan.

The District has deposited water and sewer tap fees to the Debt Service Fund to meet debt service requirements by Board policy since all capital outlay has been made from bond proceeds.

Sewer treatment capacity in excess of 550,000 gallons per day is reserved to Lincoln Park. The District will construct certain streets and related components and shall operate, maintain and replace such streets until they have been deeded to Douglas County upon final approval and acceptance by the County.

The agreement also provides procedures for the escrow and disbursement of funds related to the construction of these facilities. Annually, the Districts are to agree to a construction budget.

The District is tracking Lincoln Park’s share of the Rueter-Hess cost described above and is applying sustainability and water resource fees attributable to Lincoln Park to reduce Lincoln Park’s share. The unpaid share accrues interest at 4.50% per annum. During 2017 \$123,053 was transferred from the Special Revenue Fund to the Debt Service Fund. The balance owed under this arrangement was paid in full as of December 31, 2019.

Lincoln Park remits \$5.00 of the monthly park and recreation fee it collects to cover its share of the recreation center facility constructed by the District in 2010. The unpaid share accrues interest at 4.50% per annum. During 2017 \$54,374 was remitted to the District’s Debt Service Fund. The balance owed under this arrangement was paid in full as of December 31, 2019.

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Compark Business Campus Metropolitan District Regional Facilities Agreement

During 1998, the District entered into a Regional Facilities Agreement with Compark Business Campus Metropolitan District “Compark”, formerly Compark and E470 Business Campus Metropolitan District. The District agreed to provide water and sanitation services to the property within the Compark boundaries in exchange for conveyance by Compark of a minimum of 317 acre feet of water to the District. Compark also agreed to finance all facilities which are necessary for the District to provide water and sewer services to Compark properties. These facilities will be owned by the District. The agreement also provides that the District will receive an access fee for each single family equivalent combined water and sewer tap from Compark. As of December 31, 2019, the access fee was \$2,906.

The fee can be adjusted September 1 of each year based on the Denver-Boulder CPI. The District did not receive any fees during the year ended December 31, 2019.

The agreement was amended in 2008 “the Fourth Amendment” to provide for and clarify the procedures for developing funding and a renewable water capital plan. The amended agreement provides of Compark’s participation in the funding of certain water system infrastructure and the Rueter-Hess Reservoir water storage project (See “Rueter-Hess Reservoir Storage Easement” above). Compark is to provide reimbursement of \$118,983 plus 16.25% of the District’s administrative and legal costs for a pipeline, and \$1,072,500 plus 16.25% of the District’s investment in the Rueter-Hess Reservoir. The District received \$856,748 in reimbursements during 2008.

Water Infrastructure and Supply Efficiency (WISE) Partnership – Aurora Water, Denver Water, and South Metro Water Supply Authority (SMWSA) are in partnership to share infrastructure capacity and available water supplies in the South Metro area. Stonegate Village Metropolitan District is a member of SMWSA and has agreed to receive water through the WISE Partnership. Subscription levels are set by the board of the WISE Authority and payments for water and capacity are paid directly to South Metro Wise Authority on a monthly basis. On December 4, 2019, the WISE Authority board re-evaluated the reserve fund that was maintained and funded by the members. They determined that there was an excess and that this excess would be released and returned pro-rata to the members of the Authority. As the result, the South Metro Wise Authority returned \$419,248 to Stonegate Village Metropolitan District during March of 2020. This was included in revenue in 2019 as other income and included in the Statement of Position as an Account Receivable since it related to an action taken at the December WISE board meeting.

Note 7: Tax Spending and Debt Limitations

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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

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

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

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

Note 8: Risk Management

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

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

REQUIRED SUPPLEMENTAL INFORMATION

STONEGATE VILLAGE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

| | Original & Final | | Variance |
|-----------------------------------|------------------|-------------------|----------------------------|
| | <u>Budget</u> | <u>Actual</u> | Favorable (Unfavorable) |
| REVENUES | | | |
| Property taxes | \$ 63,873 | \$ 63,844 | \$ (29) |
| Specific ownership taxes | 5,114 | 6,406 | 1,292 |
| Park and recreation fees | 1,054,620 | 1,131,220 | 76,600 |
| Conservation trust fund | 40,000 | 47,543 | 7,543 |
| Community center fees | 40,000 | 37,824 | (2,176) |
| Miscellaneous income | 5,000 | 43,743 | 38,743 |
| Net investment income | <u>75,000</u> | <u>10,542</u> | <u>(64,458)</u> |
| | | | |
| Total Revenues | <u>1,283,607</u> | <u>1,341,122</u> | <u>57,515</u> |
| | | | |
| EXPENDITURES | | | |
| District management | 22,000 | 21,477 | 523 |
| Accounting and audit | 3,300 | 3,506 | (206) |
| Directors' fees and payroll taxes | 7,500 | 7,200 | 300 |
| Legal | 7,000 | 2,636 | 4,364 |
| Insurance | 9,500 | 8,681 | 819 |
| Engineering | 5,000 | - | 5,000 |
| Repairs and maintenance | 136,000 | 173,224 | (37,224) |
| Landscape contract | 420,000 | 420,000 | - |
| Recreation Maintenance: | | | |
| Recreation operations/maint | 97,000 | 101,471 | (4,471) |
| Pool management | 150,000 | 151,540 | (1,540) |
| Pool chemicals/supplies/misc | 75,000 | 40,768 | 34,232 |
| Landscape improvements | 60,000 | 80,481 | (20,481) |
| Utilities | 115,000 | 117,010 | (2,010) |
| County treasurer's fees | 958 | 958 | - |
| Security and vandalism | 5,000 | 4,241 | 759 |
| Snow removal | 40,000 | 39,077 | 923 |
| Fence maintenance | 50,000 | 44,596 | 5,404 |
| Miscellaneous | 10,000 | 7,108 | 2,892 |
| Utility billing | 1,200 | 4,196 | (2,996) |
| CTF expenses | 40,000 | 47,543 | (7,543) |
| Communication/PR expense | 3,000 | 37 | 2,963 |
| Office and equipment expense | 10,000 | 20,748 | (10,748) |
| Emergency Reserve | 2,070 | - | 2,070 |
| Contingency | <u>352,697</u> | <u>-</u> | <u>352,697</u> |
| | | | |
| Total Expenditures | <u>1,622,225</u> | <u>1,296,498</u> | <u>325,727</u> |
| | | | |
| NET CHANGE IN FUND BALANCE | (338,618) | 44,624 | 383,242 |
| | | | |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>338,618</u> | <u>517,763</u> | <u>179,145</u> |
| | | | |
| END OF YEAR | <u>\$ -</u> | <u>\$ 562,387</u> | <u>\$ 562,387</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND

For the Year Ended December 31, 2019

| | Original <u>Budget</u> | Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|--|---------------------------|------------------------|----------------------|---|
| REVENUES | | | | |
| Sustainability fees | \$ 875,739 | \$ 986,000 | \$ 976,837 | \$ (9,163) |
| Miscellaneous income | 4,000 | 4,000 | 3,509 | (491) |
| Net investment income | <u>10,000</u> | <u>10,000</u> | <u>478</u> | <u>(9,522)</u> |
| Total Revenues | <u>889,739</u> | <u>1,000,000</u> | <u>980,824</u> | <u>(19,176)</u> |
| EXPENDITURES | | | | |
| Accounting and audit | 3,000 | 3,000 | 3,394 | (394) |
| District management | 20,000 | 20,000 | 22,250 | (2,250) |
| Legal | 2,000 | 2,000 | 1,009 | 991 |
| Miscellaneous/office expenses | 2,000 | 2,000 | - | 2,000 |
| Utility billing | 1,800 | 1,800 | 1,846 | (46) |
| Repayment to Compark Metro | 94,617 | 204,878 | 175,430 | 29,448 |
| Contingency | <u>19,017</u> | <u>19,017</u> | <u>-</u> | <u>19,017</u> |
| Total Expenditures | <u>142,434</u> | <u>252,695</u> | <u>203,929</u> | <u>48,766</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 747,305 | 747,305 | 776,895 | 29,590 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer to Water Fund | <u>(747,305)</u> | <u>(747,305)</u> | <u>(776,895)</u> | <u>(29,590)</u> |
| Total Other Financing Sources (Uses) | <u>(747,305)</u> | <u>(747,305)</u> | <u>(776,895)</u> | <u>(29,590)</u> |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| FUND BALANCE: | | | | |
| BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

SUPPLEMENTAL INFORMATION

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2019

| | Original & Final | | Variance |
|--------------------------------|-----------------------|-----------------------|----------------------------|
| | <u>Budget</u> | <u>Actual</u> | Favorable (Unfavorable) |
| REVENUES | | | |
| Property taxes | \$ 2,163,711 | \$ 2,162,742 | \$ (969) |
| Specific ownership taxes | 173,262 | 217,020 | 43,758 |
| Net investment income | <u>40,000</u> | <u>35,659</u> | <u>(4,341)</u> |
| Total Revenues | <u>2,376,973</u> | <u>2,415,421</u> | <u>38,448</u> |
| EXPENDITURES | | | |
| Debt service: | | | |
| Principal | 2,020,000 | 2,020,000 | - |
| Interest | 518,197 | 517,313 | 884 |
| County treasurer's fees | 32,456 | 32,451 | 5 |
| Paying agent fees | 7,500 | - | 7,500 |
| Miscellaneous | <u>2,002</u> | <u>-</u> | <u>2,002</u> |
| Total Expenditures | <u>2,580,155</u> | <u>2,569,764</u> | <u>10,391</u> |
| NET CHANGE IN FUND BALANCE | (203,182) | (154,343) | 48,839 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>611,034</u> | <u>620,197</u> | <u>9,163</u> |
| END OF YEAR | <u>\$ 407,852</u> | <u>\$ 465,854</u> | <u>\$ 58,002</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) -
 ENTERPRISE FUND - WATER ACTIVITIES
 For the Year Ended December 31, 2019

| | Original & Final | | Variance |
|---|--------------------|---------------------|--|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable</u> <u>(Unfavorable)</u> |
| REVENUES | | | |
| Water sales | \$ 3,611,048 | \$ 3,348,618 | \$ (262,430) |
| Tap fees | 179,000 | 692,642 | 513,642 |
| Reimbursements | 20,000 | 65,615 | 45,615 |
| Capital true-up payments | 98,305 | - | (98,305) |
| Other income | - | 419,248 | 419,248 |
| Interest income | <u>12,000</u> | <u>58,496</u> | <u>46,496</u> |
| Total Revenues | <u>3,920,353</u> | <u>4,584,619</u> | <u>664,266</u> |
| EXPENDITURES | | | |
| Accounting / Audit | 31,000 | 32,209 | (1,209) |
| District management | 235,000 | 213,604 | 21,396 |
| Utility billing | 16,000 | 16,582 | (582) |
| Engineering/consulting | 90,000 | 133,485 | (43,485) |
| Insurance | 33,000 | 29,773 | 3,227 |
| Legal | 45,000 | 24,949 | 20,051 |
| Miscellaneous / office expenses | 8,000 | 706 | 7,294 |
| Website/PR expense | 3,000 | - | 3,000 |
| Dues and permits | 5,000 | 3,982 | 1,018 |
| Meter set costs | 10,000 | 7,026 | 2,974 |
| Meter read costs | 16,500 | 11,270 | 5,230 |
| Chemicals | 85,000 | 39,394 | 45,606 |
| Operations | 330,000 | 320,472 | 9,528 |
| Operating costs WISE-Renewable Water | 1,143,618 | 453,823 | 689,795 |
| Lab analysis | 25,000 | 80,001 | (55,001) |
| Tools and Supplies | 5,000 | - | 5,000 |
| Meter replacement | 10,000 | 8,547 | 1,453 |
| Repair and replacement | 510,000 | 415,368 | 94,632 |
| Utilities and telephone | 700,000 | 767,133 | (67,133) |
| Well Maintenance | 350,000 | 138,435 | 211,565 |
| Reimbursement expense | 20,000 | 25,522 | (5,522) |
| Capital improvements | 50,000 | - | 50,000 |
| Debt service - interest | 579,156 | 579,156 | - |
| Debt service - principal | 270,000 | 270,000 | - |
| Custodian fee - debt | 800 | 800 | - |
| Replacement reserve | 600,000 | - | 600,000 |
| Contingency | <u>1,601,012</u> | <u>-</u> | <u>1,601,012</u> |
| Total Expenditures | <u>6,772,086</u> | <u>3,572,237</u> | <u>3,199,849</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,851,733) | 1,012,382 | 3,864,115 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfer from Supplemental Water fund | <u>747,305</u> | <u>776,895</u> | <u>29,590</u> |
| Total Other Financing Sources (Uses) | <u>747,305</u> | <u>776,895</u> | <u>29,590</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | <u>(2,104,428)</u> | <u>1,789,277</u> | <u>3,893,705</u> |
| FUNDS AVAILABLE - BEGINNING OF YEAR | <u>2,604,428</u> | <u>2,367,502</u> | <u>(236,926)</u> |
| FUNDS AVAILABLE - END OF YEAR | <u>\$ 500,000</u> | <u>\$ 4,156,779</u> | <u>\$ 3,656,779</u> |
| Funds available computed as follows: | | | |
| Current assets | | \$ 4,567,601 | |
| Current liabilities | | <u>(410,822)</u> | |
| | | <u>\$ 4,156,779</u> | |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) -
 ENTERPRISE FUND - SEWER ACTIVITIES
 For the Year Ended December 31, 2019

| | Original & Final | | Variance |
|--|---------------------|---------------------|----------------------------|
| | <u>Budget</u> | <u>Actual</u> | Favorable (Unfavorable) |
| REVENUES | | | |
| Sewer charges | \$ 2,500,000 | \$ 2,552,249 | \$ 52,249 |
| Tap fees | 179,000 | 692,641 | 513,641 |
| Capital true-up payments | 93,363 | - | (93,363) |
| Interest income | <u>35,000</u> | <u>113,402</u> | <u>78,402</u> |
| Total Revenues | <u>2,807,363</u> | <u>3,358,292</u> | <u>550,929</u> |
| EXPENDITURES | | | |
| Accounting / Audit | 30,000 | 31,891 | (1,891) |
| Cherry Creek Basin Fees | 5,000 | - | 5,000 |
| District management | 255,000 | 191,353 | 63,647 |
| Utility billing | 15,000 | 14,911 | 89 |
| Engineering/consulting | 85,000 | 39,041 | 45,959 |
| Insurance | 40,000 | 37,216 | 2,784 |
| Legal | 50,000 | 23,454 | 26,546 |
| Miscellaneous / office expenses | 15,000 | 10,172 | 4,828 |
| Website/PR expense | 3,000 | 1,258 | 1,742 |
| Chemicals | 140,000 | 147,577 | (7,577) |
| Operations | 330,000 | 321,160 | 8,840 |
| Lab analysis | 40,000 | 45,417 | (5,417) |
| Tools and Supplies | 10,000 | - | 10,000 |
| Maintenance | 375,000 | 439,852 | (64,852) |
| Line cleaning | 95,000 | - | 95,000 |
| Utilities and telephone | 100,000 | 73,472 | 26,528 |
| ACWWA/CWSD/IWSD | 2,500 | - | 2,500 |
| Sludge disposal | 50,000 | 56,019 | (6,019) |
| Reimbursement expense | 15,000 | - | 15,000 |
| Capital improvements | 450,000 | - | 450,000 |
| Debt service - interest | 510,307 | 510,306 | 1 |
| Debt service - principal | 265,000 | 265,000 | - |
| Custodian fee - debt | 600 | 300 | 300 |
| Replacement reserve | 2,000,000 | - | 2,000,000 |
| Contingency | <u>1,134,883</u> | <u>-</u> | <u>1,134,883</u> |
| Total Expenditures | <u>6,016,290</u> | <u>2,208,399</u> | <u>3,807,891</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | |
| | (3,208,927) | 1,149,893 | 4,358,820 |
| FUNDS AVAILABLE - BEGINNING OF YEAR | | | |
| | <u>5,016,374</u> | <u>5,290,225</u> | <u>273,851</u> |
| FUNDS AVAILABLE - END OF YEAR | | | |
| | <u>\$ 1,807,447</u> | <u>\$ 6,440,118</u> | <u>\$ 4,632,671</u> |
| Funds available computed as follows: | | | |
| Current assets | | \$ 6,629,282 | |
| Current liabilities | | <u>(189,164)</u> | |
| | | <u>\$ 6,440,118</u> | |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 ENTERPRISE FUND - CAPITAL ACTIVITIES
 For the Year Ended December 31, 2019

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|----------------------------|--------------|--|
| REVENUES | | | |
| Net investment income | \$ 50,000 | \$ 94,889 | \$ 44,889 |
| Total Revenues | 50,000 | 94,889 | 44,889 |
| EXPENDITURES | | | |
| Capital outlay | | | |
| Water capital costs | 2,929,518 | 1,750,035 | 1,179,483 |
| Total Expenditures | 2,929,518 | 1,750,035 | 1,179,483 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (2,879,518) | (1,655,146) | 1,224,372 |
| EXPENDITURES AND OTHER USES | (2,879,518) | (1,655,146) | 1,224,372 |
| FUNDS AVAILABLE - BEGINNING OF YEAR | 5,642,810 | 5,401,048 | (241,762) |
| FUNDS AVAILABLE - END OF YEAR | \$ 2,763,292 | \$ 3,745,902 | \$ 982,610 |
| Funds available computed as follows: | | | |
| Current assets | | \$ 3,776,850 | |
| Current liabilities | | (30,948) | |
| | | \$ 3,745,902 | |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

| | |
|---|-------------------------|
| Excess of revenues over expenditures | |
| Water Activities | \$ 1,012,382 |
| Sewer Activities | 1,149,893 |
| Capital Activities | <u>(1,655,146)</u> |
| Excess of revenues over expenditures - All Activities | 507,129 |
| Add non-cash transfers in/from governmental funds | 776,895 |
| Add capital expenditures which are not an expense | 1,750,035 |
| Add debt service principal which is not an expense | 535,000 |
| Add amortization of bond premium which is an expense | 65,488 |
| Deduct accrued interest which is not an expenditure | 1,559 |
| Deduct amortization of bond insurance which is not an expenditure | (3,814) |
| Deduct depreciation which is an expense | <u>(1,913,389)</u> |
| Changes in Net Position per Statement of Revenues, Expenses and Changes in Net Position | \$ <u>1,718,903</u> |

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

STONEGATE VILLAGE METROPOLITAN DISTRICT

DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2019

**\$9,300,000 General Obligation
Refunding Loan Series 2014
Interest Rate of 2.60%
Payable June 1 and December 1
Principal Due December 1**

**\$17,120,000 General Obligation
Taxable (Convertible to Tax-Exempt)
Refunding Loan 2015
Interest Rate Varies from 2.65% to 3.81%
Payable June 1 and December 1
Principal Due December 1**

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Grand Total</u> |
|-------------|---------------------|-------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| 2020 | 980,000 | 172,770 | 1,152,770 | 1,430,000 | 292,721 | 1,722,721 | 2,875,491 |
| 2021 | 1,030,000 | 147,290 | 1,177,290 | 1,720,000 | 253,500 | 1,973,500 | 3,150,790 |
| 2022 | 1,080,000 | 120,510 | 1,200,510 | 1,805,000 | 207,287 | 2,012,287 | 3,212,797 |
| 2023 | 1,135,000 | 92,430 | 1,227,430 | 1,880,000 | 158,790 | 2,038,790 | 3,266,220 |
| 2024 | 1,185,000 | 62,920 | 1,247,920 | 1,965,000 | 108,575 | 2,073,575 | 3,321,495 |
| 2025 | <u>1,235,000</u> | <u>32,110</u> | <u>1,267,110</u> | <u>2,065,000</u> | <u>55,483</u> | <u>2,120,483</u> | <u>3,387,593</u> |
| | <u>\$ 6,645,000</u> | <u>\$ 628,030</u> | <u>\$ 7,273,030</u> | <u>\$ 10,865,000</u> | <u>\$ 1,076,356</u> | <u>\$ 11,941,356</u> | <u>\$ 19,214,386</u> |

STONEGATE VILLAGE METROPOLITAN DISTRICT

DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

December 31, 2019

\$13,040,000 Wastewater Revenue Bonds
Series 2014
Interest Rate Varies from 3.00% to 5.00%
Payable June 1 and December 1
Principal Due December 1

\$13,825,000 Water Revenue Bonds
Series 2015
Interest Rate Varies from 2.00% to 5.00%
Payable June 1 and December 1
Principal Due December 1

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Grand Total</u> |
|-------------|----------------------|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| 2020 | 275,000 | 499,706 | 774,706 | 275,000 | 571,056 | 846,056 | 1,620,762 |
| 2021 | 285,000 | 488,706 | 773,706 | 285,000 | 562,806 | 847,806 | 1,621,512 |
| 2022 | 300,000 | 477,306 | 777,306 | 295,000 | 551,406 | 846,406 | 1,623,712 |
| 2023 | 310,000 | 465,306 | 775,306 | 305,000 | 539,606 | 844,606 | 1,619,912 |
| 2024 | 325,000 | 449,806 | 774,806 | 325,000 | 524,356 | 849,356 | 1,624,162 |
| 2025 | 340,000 | 433,556 | 773,556 | 340,000 | 508,106 | 848,106 | 1,621,662 |
| 2026 | 360,000 | 416,557 | 776,557 | 355,000 | 491,106 | 846,106 | 1,622,663 |
| 2027 | 370,000 | 404,856 | 774,856 | 375,000 | 473,356 | 848,356 | 1,623,212 |
| 2028 | 380,000 | 392,369 | 772,369 | 390,000 | 454,606 | 844,606 | 1,616,975 |
| 2029 | 395,000 | 379,069 | 774,069 | 405,000 | 442,419 | 847,419 | 1,621,488 |
| 2030 | 410,000 | 364,750 | 774,750 | 415,000 | 429,256 | 844,256 | 1,619,006 |
| 2031 | 425,000 | 348,350 | 773,350 | 430,000 | 415,250 | 845,250 | 1,618,600 |
| 2032 | 445,000 | 331,350 | 776,350 | 455,000 | 393,750 | 848,750 | 1,625,100 |
| 2033 | 460,000 | 313,550 | 773,550 | 475,000 | 371,000 | 846,000 | 1,619,550 |
| 2034 | 480,000 | 295,150 | 775,150 | 500,000 | 347,250 | 847,250 | 1,622,400 |
| 2035 | 500,000 | 275,950 | 775,950 | 525,000 | 322,250 | 847,250 | 1,623,200 |
| 2036 | 520,000 | 255,950 | 775,950 | 550,000 | 296,000 | 846,000 | 1,621,950 |
| 2037 | 540,000 | 235,150 | 775,150 | 570,000 | 274,000 | 844,000 | 1,619,150 |
| 2038 | 560,000 | 213,550 | 773,550 | 595,000 | 251,200 | 846,200 | 1,619,750 |
| 2039 | 585,000 | 191,150 | 776,150 | 620,000 | 227,400 | 847,400 | 1,623,550 |
| 2040 | 605,000 | 167,750 | 772,750 | 645,000 | 202,600 | 847,600 | 1,620,350 |
| 2041 | 635,000 | 137,500 | 772,500 | 670,000 | 176,800 | 846,800 | 1,619,300 |
| 2042 | 670,000 | 105,750 | 775,750 | 695,000 | 150,000 | 845,000 | 1,620,750 |
| 2043 | 705,000 | 72,250 | 777,250 | 730,000 | 115,250 | 845,250 | 1,622,500 |
| 2044 | 740,000 | 37,000 | 777,000 | 770,000 | 78,750 | 848,750 | 1,625,750 |
| 2045 | - | - | - | 805,000 | 40,250 | 845,250 | 845,250 |
| | <u>\$ 11,620,000</u> | <u>\$ 7,752,387</u> | <u>\$ 19,372,387</u> | <u>\$ 12,800,000</u> | <u>\$ 9,209,831</u> | <u>\$ 22,009,831</u> | <u>\$ 41,382,218</u> |

STONEGATE VILLAGE METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2019

| <u>Year Ended December 31,</u> | Prior Year Assessed Valuation for Current Year Property Tax Levy | <u>Mills Levied</u> | | <u>Total Property Tax</u> | | Percent Collected to Levied |
|--|---|---------------------|---------------------|---------------------------|------------------|--|
| | | <u>General Fund</u> | <u>Debt Service</u> | <u>Levied</u> | <u>Collected</u> | |
| 2003 | \$ 65,854,124 | 0.830 | 26.599 | \$ 1,806,313 | \$ 1,795,062 | 99.38% |
| 2004 | \$ 67,097,970 | 0.830 | 26.599 | \$ 1,840,430 | \$ 1,841,348 | 100.05% |
| 2005 | \$ 67,185,730 | 0.830 | 26.599 | \$ 1,842,837 | \$ 1,850,284 | 100.40% |
| 2006 | \$ 72,645,420 | 0.813 | 26.599 | \$ 1,991,356 | \$ 1,977,271 | 99.29% |
| 2007 | \$ 73,064,410 | 0.813 | 26.599 | \$ 2,003,841 | \$ 1,991,523 | 99.39% |
| 2008 | \$ 78,203,770 | 0.803 | 26.599 | \$ 2,142,889 | \$ 2,203,253 | 102.82% |
| 2009 | \$ 78,880,230 | 0.803 | 26.599 | \$ 2,161,476 | \$ 2,139,639 | 98.99% |
| 2010 | \$ 77,061,120 | 0.803 | 26.599 | \$ 2,111,629 | \$ 2,099,420 | 99.42% |
| 2011 | \$ 76,559,370 | 0.803 | 26.599 | \$ 2,097,880 | \$ 2,094,541 | 99.84% |
| 2012 | \$ 72,156,690 | 0.803 | 28.129 | \$ 2,087,637 | \$ 2,086,622 | 99.95% |
| 2013 | \$ 72,016,190 | 0.803 | 27.000 | \$ 2,002,266 | \$ 1,998,969 | 99.84% |
| 2014 | \$ 71,739,705 | 0.803 | 27.000 | \$ 1,994,579 | \$ 1,989,439 | 99.74% |
| 2015 | \$ 71,598,390 | 0.803 | 27.000 | \$ 1,990,650 | \$ 1,990,660 | 100.00% |
| 2016 | \$ 82,198,420 | 0.738 | 25.000 | \$ 2,115,623 | \$ 2,113,826 | 99.92% |
| 2017 | \$ 82,342,260 | 0.738 | 25.000 | \$ 2,119,325 | \$ 2,118,181 | 99.95% |
| 2018 | \$ 86,081,850 | 0.738 | 25.000 | \$ 2,215,575 | \$ 2,215,467 | 100.00% |
| 2019 | \$ 86,548,440 | 0.738 | 25.000 | \$ 2,227,584 | \$ 2,226,586 | 99.96% |
| Estimated for year ending December 31, 2020 | \$ 95,768,070 | 0.704 | 25.000 | \$ 2,461,623 | | |

NOTE

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