
Todd Creek Village Metropolitan District
(Adams County, Colorado)

Financial Report
with Supplemental Information
December 31, 2021

Todd Creek Village Metropolitan District

Contents

Independent Auditor's Report	1-2
Basic Financial Statements	
Statement of Net Position	3
Statement of Revenue, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-19
Other Supplemental Information	20
Schedule of Revenue, Expenditures, and Changes in Funds Available - Budget and Actual (Budgetary Basis)	21
Note to Other Supplemental Information	22

Independent Auditor's Report

To the Board of Directors
Todd Creek Village Metropolitan District

Opinion

We have audited the financial statements of Todd Creek Village Metropolitan District (the "District") as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as of December 31, 2021 and 2020 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

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

To the Board of Directors
Todd Creek Village Metropolitan District

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

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

Other Information

Management is responsible for the other information included in the financial report with supplemental information. The other information comprises the schedule of revenue, expenditures, and changes in funds available - budget and actual (budgetary basis) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



July 29, 2022

Todd Creek Village Metropolitan District

Statement of Net Position

	December 31, 2021 and 2020	
	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 384,189	\$ 176,579
Accounts receivable - Net of allowance for doubtful accounts of \$75,084 (2021 and 2020)	819,532	830,286
Prepaid expenses	49,321	-
Restricted assets - Investments	3,855,102	3,404,141
Capital assets - Net (Note 4)	<u>48,290,249</u>	<u>49,840,178</u>
Total assets	53,398,393	54,251,184
Deferred Outflows of Resources - Deferred charge on bond refunding	5,104,857	5,373,534
Liabilities		
Accounts payable	705,653	795,598
Accrued interest payable	109,691	111,956
Unearned revenue	-	27,570
Noncurrent liabilities:		
Due within one year:		
Reimbursement obligation - Related party (Note 2)	2,230,169	-
Current portion of capital lease obligations	17,770	18,040
Current portion of long-term debt (Note 5)	520,000	505,000
Due in more than one year:		
Reimbursement obligation - Related party (Note 2)	-	2,440,169
Capital lease obligations - Net of current portion	20,519	37,544
Long-term debt - Net of current portion (Note 5)	<u>26,029,264</u>	<u>26,578,311</u>
Total liabilities	<u>29,633,066</u>	<u>30,514,188</u>
Net Position		
Net investment in capital assets	24,577,384	25,634,648
Restricted	3,855,102	3,404,141
Unrestricted	<u>437,698</u>	<u>71,741</u>
Total net position	<u><u>\$ 28,870,184</u></u>	<u><u>\$ 29,110,530</u></u>

Todd Creek Village Metropolitan District

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenue		
Water revenue	\$ 4,581,219	\$ 5,067,081
Failure to connect fees	222,600	222,370
Availability fees	1,135	4,060
Meter fees	135,350	84,150
Inspection fees	71,800	24,750
Penalties and other income	174,005	337,057
Total operating revenue	5,186,109	5,739,468
Operating Expenses		
Depreciation	1,580,584	1,580,073
District management	1,320,000	1,204,645
Utilities and water leases	2,212,156	1,730,206
Repairs and maintenance	400,597	774,342
Office expense	322,113	296,898
Legal	171,961	294,395
MXU system	222,574	111,274
Water treatment	140,900	141,531
Engineering	53,620	25,659
Insurance	42,774	38,366
Accounting and audit	25,174	27,310
Vehicle expense	80,511	43,531
Public relations	15,760	23,944
Miscellaneous	22,524	81,823
Total operating expenses	6,611,248	6,373,997
Operating Loss	(1,425,139)	(634,529)
Nonoperating Revenue (Expense)		
Interest income	2,001	19,157
Interest expense	(1,580,834)	(1,606,325)
Debt issuance costs	(4,000)	(4,000)
Total nonoperating expense	(1,582,833)	(1,591,168)
Capital Contributions - Tap fees	2,767,626	1,668,593
Change in Net Position	(240,346)	(557,104)
Net Position - Beginning of year	29,110,530	29,667,634
Net Position - End of year	<u>\$ 28,870,184</u>	<u>\$ 29,110,530</u>

Todd Creek Village Metropolitan District

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 5,169,293	\$ 5,903,256
Payments to suppliers	(5,169,930)	(4,631,855)
Net cash and cash equivalents (used in) provided by operating activities	(637)	1,271,401
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(30,655)	(278,388)
Payments to related parties	(210,000)	(340,000)
Principal paid on capital lease	(17,295)	(16,574)
Principal paid on Series 2018 bonds	(505,000)	(470,000)
Interest paid on bonds and certificates of participation	(1,343,469)	(1,368,807)
Other debt-related expenditures	(4,000)	(4,000)
Tap fees	2,767,626	1,668,593
Net cash and cash equivalents provided by (used in) capital and related financing activities	657,207	(809,176)
Cash Flows Provided by Investing Activities - Interest received	2,001	19,157
Net Increase in Cash and Cash Equivalents	658,571	481,382
Cash and Cash Equivalents - Beginning of year	3,580,720	3,099,338
Cash and Cash Equivalents - End of year	\$ 4,239,291	\$ 3,580,720
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 384,189	\$ 176,579
Restricted assets - Investments	3,855,102	3,404,141
Total cash and cash equivalents	\$ 4,239,291	\$ 3,580,720
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,425,139)	\$ (634,529)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,580,584	1,580,073
Changes in assets and liabilities:		
Accounts receivables	10,754	136,218
Prepaid expenses	(49,321)	-
Accounts payable	(89,945)	162,069
Unearned revenue	(27,570)	27,570
Total adjustments	1,424,502	1,905,930
Net cash and cash equivalents (used in) provided by operating activities	\$ (637)	\$ 1,271,401
Significant Noncash Transactions		
Amortization of bond premium	\$ 29,047	\$ 29,047
Amortization of deferred outflows	268,677	268,676
Capital assets acquired through capital leases	-	72,158
Related party payment of settlement obligation	-	1,000,000

December 31, 2021 and 2020

Note 1 - Nature of Business

Todd Creek Village Metropolitan District (the "District") is a quasi-municipal corporation organized on November 19, 1996 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams and Weld counties, Colorado. The District was established to provide water and wastewater services to an area encompassing approximately 6,725 acres in Adams County and 6,000 acres in Weld County.

The District has no employees, and all operations and administrative functions are contracted. The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization 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, the ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

As of December 31, 2021, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

BennT Creek Regional Water Authority

Effective January 7, 2020, the District executed an agreement establishing the BennT Creek Regional Water Authority (the "BennT Creek Authority"), along with the Town of Bennett, Colorado (together, the "Parties"). The purpose of the BennT Creek Authority is to provide water services to the District and the Town of Bennett, Colorado including, without limitation, (a) acquiring, selling, and delivering water; (b) developing water resources for their use; (c) activities for water diversion, transmission, storage, treatment, and treated storage; and (d) other services, as authorized by law and determined by the BennT Creek Authority's board to be in the best interest of the Parties, their inhabitants, and others. The BennT Creek Authority's board is made up of two members appointed by each of the Parties. In the event of a dissolution of the BennT Creek Authority, the assets are to be distributed between the Parties based on their relative proportion of average annual total amounts of treated water sold to the Parties, unless otherwise agreed to, except for water rights or interests contributed to the BennT Creek Authority by the Parties, which immediately vest back to the contributing party.

The BennT Creek Authority has filed an application for conditional surface water rights and water storage rights in District Court Water Division 1, Weld County, Colorado in December of 2020. However, the BennT Creek Authority has not generated revenue, incurred expenses, or acquired assets of any consequence.

The District has evaluated the circumstances regarding its relationship with the BennT Creek Authority and determined that it is not a component unit reportable to the District based on current conditions.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the District have been prepared on the basis of generally accepted accounting principles (GAAP) applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

The District's records are maintained on the accrual basis of accounting and follow the economic resources measurement focus. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets, and redemption of bonds and certificates of participation are recorded as reductions in liabilities. Tap fees are recorded as capital contributions when received.

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

Operating Revenue and Expenses

The District distinguishes between operating revenue and expenses and nonoperating items in the statement of revenue, expenses, and changes in net position. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and wastewater services to its customers. Operating revenue consists of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses or capital contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted investment assets on the statement of net position because they are maintained in separate accounts and their use is limited by applicable bond covenants. Restricted investments totaled \$3,855,102 and \$3,404,141 at December 31, 2021 and 2020, respectively.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable and Allowance for Doubtful Accounts

Use fees and tap fees constitute a perpetual lien on or against property served until paid. Such liens may be foreclosed upon, as provided by the State of Colorado. Therefore, no provision for uncollectible receivables has been made in the financial statements. Accounts receivable, other than those for use fees and tap fees, are evaluated by management for collectibility based on historical performance and known collection issues. Accounts receivable that are determined to be not collectible have been fully allowed for in the statement of net position.

Capital Assets

Capital assets, which include water rights, water wells, storage and treatment facilities, and delivery systems, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation or at the developer's cost. Capital assets are defined by the District as those assets with a cost or value of \$1,000 or greater. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements for which the District retains title are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the estimated useful lives (40 years for water system infrastructure). The cost of water rights includes acquisition, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$1,580,584 and \$1,580,073, respectively.

Amortization of Bond Discount and Premium

Series 2018 bonds were issued with a premium during the year ended December 31, 2018. Bond premiums are amortized over the respective terms of the bonds using the straight-line method. Amortization expense for bond premiums amounted to \$29,047 for the years ended December 31, 2021 and 2020 and is included in interest expense.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The District reports deferred outflows related to deferred charges on refunding. These deferred outflows are amortized over the respective terms of the bonds using the straight-line method. Amortization expense for deferred outflows amounted to approximately \$268,700 for the years ended December 31, 2021 and 2020 and is included in interest expense.

Reimbursement Obligation - Related Party

During 2019, the District entered into a funding and reimbursement agreement with West South Platte Water and Reservoir Company, LLLP (WSP). The purpose of the agreement is to allow WSP to finance portions of the development of public improvements to serve the District. The agreement allows for advances up to \$3,000,000 through December 31, 2021 that are non-interest bearing. The obligation will be repaid by the District or credited against the purchase and sale of district assets. As of December 31, 2021, the agreement is callable on demand by WSP. This balance amounted to \$2,230,169 and \$2,440,169 as of December 31, 2021 and 2020, respectively.

Net Position

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

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those net assets. As of December 31, 2021 and 2020, the District had net investment in capital assets of \$24,577,384 and \$25,634,648, respectively.

Restricted

The District had \$3,855,102 and \$3,404,141 restricted by contractual obligation for payment of debt service as of December 31, 2021 and 2020, respectively.

December 31, 2021 and 2020

Note 2 - Significant Accounting Policies (Continued)

Unrestricted

The District's unrestricted net position as of December 31, 2021 and 2020 is \$437,698 and \$71,741, respectively.

Reclassification

Certain 2020 amounts have been reclassified to conform to the 2021 presentation. The calculation of net position for net investment in capital assets, as presented in the 2020 financial statements, was changed in 2021. The effect of the change was to decrease the net investment in capital assets and increase unrestricted net position by \$2,440,169, related to the classification of the related party reimbursement obligation. As this was a reclassification of net position components, this change did not impact total net position or the results of operations for 2020.

Contributed Capital

Tap fees and water resource fees are generally recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost or at the estimated fair value at the date of contribution.

Budgetary Information

In accordance with state budget law, the District's board of directors holds public hearings in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements.

The District budgeted a negative fund balance for the years ended December 31, 2021 and 2020, which is a violation of state budget law. Additionally, the District exceeded its budgeted expenditures for the years ended December 31, 2021 and 2020, which is a violation of state budget law.

Upcoming Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the District's financial statements for the year ending December 31, 2022.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 29, 2022, which is the date the financial statements were available to be issued.

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	2021	2020
Cash and cash equivalents	\$ 384,189	\$ 176,579
Restricted assets - Investments	3,855,102	3,404,141
Total deposits and investments	<u>\$ 4,239,291</u>	<u>\$ 3,580,720</u>

The District's cash deposit and investment policy adopts state statutes.

Colorado statutes require that the District use eligible public depositories, as defined by the Colorado Public Deposit Protection Act (the "Act"). Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2021 and 2020, the federal insurance limits were \$250,000. The eligible collateral is determined by the Act and 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 102 percent of the aggregate uninsured deposits. The state regulatory commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

The District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk of deposits. At December 31, 2021 and 2020, the District had no deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk of investments. At December 31, 2021 and 2020, the District had \$3,855,102 and \$3,404,141, respectively, of investments held by outside parties.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's cash deposit and investment policy adopts state statutes regarding interest rate risk. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirement. At December 31, 2021 and 2020, all of the District's investments are in investment types that are not subject to interest rate risk.

Note 3 - Deposits and Investments (Continued)

Credit Risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include: obligations of the U.S. and certain U.S. government agency securities, certain international agency securities; general obligations and revenue bonds of the U.S. local government entities, bankers' acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools. The District's cash deposit and investment policy adopts state statutes regarding credit risk. As of December 31, 2021 and 2020, the credit quality ratings of investments are as follows:

Investment	2021			2020		
	Carrying Value	Rating	Rating Organization	Carrying Value	Rating	Rating Organization
Colorado Surplus Asset Fund Trust	\$ 3,855,102	AAAm	Standard & Poor's	\$ 3,404,141	AAAm	Standard & Poor's

Concentration of Credit Risk

The District's cash deposit and investment policy adopts state statutes regarding concentration of credit risk for investments. At December 31, 2021 and 2020, all of the District's investments are in investment types that are not subject to concentration of credit risk.

Colorado Surplus Asset Fund Trust

The District is invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets.

The state securities commissioner administers and enforces all state statutes governing the trust. The trust is similar to a 2a7 investment pool money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as a safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. The maturity of CSAFE is weighted average under 60 days. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period for CSAFE.

The District's investment in CSAFE is valued at amortized cost.

December 31, 2021 and 2020

Note 4 - Capital Assets

A summary of capital asset acquisitions, dispositions, and accumulated depreciation for the years ended December 31, 2021 and 2020 are as follows:

	Balance January 1, 2021	Additions	Disposals and Adjustments	Balance December 31, 2021
Capital assets not being depreciated:				
Water rights	\$ 4,683,684	\$ -	\$ -	\$ 4,683,684
Construction in progress	5,120,557	27,076	-	5,147,633
Subtotal	9,804,241	27,076	-	9,831,317
Capital assets being depreciated:				
Water distribution and storage	56,587,159	-	-	56,587,159
Sewer system	5,045,437	-	-	5,045,437
Vehicles	188,860	-	-	188,860
Office furniture	-	3,579	-	3,579
Subtotal	61,821,456	3,579	-	61,825,035
Accumulated depreciation	21,785,519	1,580,584	-	23,366,103
Net capital assets	<u>\$ 49,840,178</u>	<u>\$ (1,549,929)</u>	<u>\$ -</u>	<u>\$ 48,290,249</u>
	Balance January 1, 2020	Additions	Disposals and Adjustments	Balance December 31, 2020
Capital assets not being depreciated:				
Water rights	\$ 4,683,684	\$ -	\$ -	\$ 4,683,684
Construction in progress	4,951,960	168,597	-	5,120,557
Subtotal	9,635,644	168,597	-	9,804,241
Capital assets being depreciated:				
Water distribution and storage	56,477,368	109,791	-	56,587,159
Sewer system	5,045,437	-	-	5,045,437
Vehicles	116,702	72,158	-	188,860
Subtotal	61,639,507	181,949	-	61,821,456
Accumulated depreciation	20,205,446	1,580,073	-	21,785,519
Net capital assets	<u>\$ 51,069,705</u>	<u>\$ (1,229,527)</u>	<u>\$ -</u>	<u>\$ 49,840,178</u>

Capital Assets Acquired through a Capital Lease

The District had capital assets acquired under capital leases of vehicles in the amount of \$61,557. The vehicles acquired through the lease had a net book value of \$43,295 and \$57,726 as of December 31, 2021 and 2020, respectively.

Note 5 - Long-term Debt

Long-term debt activity for the year ended December 31, 2021 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:	\$ 26,270,000	\$ -	\$ (505,000)	\$ 25,765,000	\$ 520,000
Unamortized bond premiums	813,311	-	(29,047)	784,264	-
Total bonds and contracts payable	<u>\$ 27,083,311</u>	<u>\$ -</u>	<u>\$ (534,047)</u>	<u>\$ 26,549,264</u>	<u>\$ 520,000</u>

Long-term debt activity for the year ended December 31, 2020 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:	\$ 26,740,000	\$ -	\$ (470,000)	\$ 26,270,000	\$ 505,000
Unamortized bond premiums	842,358	-	(29,047)	813,311	-
Total bonds and contracts payable	<u>\$ 27,582,358</u>	<u>\$ -</u>	<u>\$ (499,047)</u>	<u>\$ 27,083,311</u>	<u>\$ 505,000</u>

Bonds Payable

Taxable and Nontaxable Series 2018 Water Activity Enterprise Revenue and Improvement Bonds

On December 11, 2018, the District issued Water Activity Revenue Refunding Bonds, Series 2018A and Series 2018B, in the aggregate principal amount of \$19,775,000 and \$7,465,000, respectively. These bonds are a limited obligation and payable solely from the gross revenue of the system, subject to payment of operation and maintenance expenses. These bonds were used to fully refund and defease the 2015 Revenue Bonds.

The 2018A Series bonds bear interest at a range between 4.375 percent and 5 percent per annum payable semiannually on June 1 and December 1. The 2018B Series bonds bear interest at 5.87 percent per annum payable semiannually on June 1 and December 1. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, on December 1 each year, according to terms described in the trust indenture.

The bonds are special limited revenue obligations of the District's enterprise, payable solely from and secured by the pledged revenue and funds, as defined in the bond trust indenture. Gross revenue of the enterprise is pledged to payment of the bonds and remitted to the trustee in accordance with the Indenture of Trust. The trustee disburses operating, capital, and debt payments upon review and approval of the bondholder and district management. The District is subject to various performance covenants that are included in the trust indenture.

The District had deferred outflows of \$5,104,857 and \$5,373,534 related to deferred charges on bond refundings at December 31, 2021 and 2020, respectively.

Note 5 - Long-term Debt (Continued)

Bond Maturities

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Principal	Interest	Total
2022	\$ 520,000	\$ 1,316,294	\$ 1,836,294
2023	560,000	1,288,238	1,848,238
2024	575,000	1,258,050	1,833,050
2025	615,000	1,226,981	1,841,981
2026	710,000	1,193,781	1,903,781
2027-2031	4,085,000	5,357,101	9,442,101
2032-2036	5,255,000	4,110,756	9,365,756
2037-2041	5,345,000	2,583,419	7,928,419
2042-2046	5,535,000	1,308,126	6,843,126
2047-2048	2,565,000	169,532	2,734,532
Total	\$ 25,765,000	\$ 19,812,278	\$ 45,577,278

Note 6 - Water Agreements

Water Lease Agreement - Coors

The District executed a water lease agreement on March 31, 2017 that terminated and replaced previous water lease agreements with Coors Brewing Company (Coors). The agreement commenced on April 1, 2017 with an initial lease term ending on March 31, 2022, with the option for up to two five-year renewals. During 2022, no renewal option was exercised. Under the terms of the agreement, the District receives the right to up to 200 acre feet, with the option to increase by an additional 200 acre feet, up to 400 acre feet total of water per delivery season at a rate of \$750 per acre foot.

Water Share Purchase and Leaseback Agreement - H3O

On June 17, 2014, the District entered into a water share purchase and leaseback agreement with H3O LLC (H3O). Principals of H3O also serve on the District's board of directors. Under this agreement, H3O funded the \$1,000,000 settlement with Valley Bank and Trust on the District's behalf. As a result, the District conveyed its original 17 Brantner Share certificates to H3O, and the District agrees to lease consumable water from H3O at a rate of \$350 per acre foot per year. The lease rate shall be adjusted at every five-year interval during the term of the lease by the local Consumer Price Index or a comparable index. The term of the lease will continue for as long as H3O owns the Brantner Shares and will terminate when and to the extent H3O sells all or a portion of the shares. The District has first right of refusal upon H3O's decision to sell the shares, on the same terms and price H3O offers to any third party. An assignment and consent to assignment on May 14, 2019 amended the lease rate to \$650 per acre foot per year and to the take or pay lease condition with respect to the entire 130 acre feet of Brantner Water available in a calendar year, such that, in addition to the lease fee due for the water diverted, a lease fee for the shortfall, if any, will be due annually.

Water Lease Agreements - H3O

The District entered into two water lease agreements with H3O to lease consumable water and potable and nonpotable water at \$650 per acre foot. The leases expired on December 31, 2013; however, the District and H3O have been operating under the terms of the initial lease subsequent to the termination date.

Note 6 - Water Agreements (Continued)

On January 1, 2016, the District entered into a water lease agreement with H3O with a termination date of December 31, 2018. Effective January 1, 2019, the water lease agreement was extended through December 31, 2025. Under the terms of this new agreement, H3O will lease from the District up to 300 acre feet of water reusable effluent annually at a rate of \$650 per acre foot paid monthly.

On January 1, 2016, the District entered into a water lease agreement with H3O with a termination date of December 31, 2025. Under terms of this agreement, the District will lease up to 300 acre feet of water annually to H3O at a rate of \$650 per acre foot paid monthly.

Water Storage and Facilities Usage and Public Improvements Agreement - H3O

On August 21, 2013, the District entered into a water storage and facilities usage and public improvements agreement with H3O. H3O is granted the use of the following: (1) the District's water storage reservoirs, including but not limited to Signal Reservoir No. 1 and Signal Reservoir No. 2, (the "Signal Reservoirs") or other district water storage reservoirs designated by the District; (2) water transmission lines, wells, pumps, facilities, and appurtenances for the purpose of storing up to 200 acre feet of water and transmitting up to 2,000 acre feet of water per year, provided such storage and transmission does not interfere with the District's use of the facilities; and (3) the Signal Reservoirs and the District's adjoining land necessary for the purposes of installing temporary and permanent water pumps, pipelines, and associated facilities to withdraw water from the Signal Reservoirs and to construct access roads and load out areas to accept withdrawn water into water trucks. H3O's right of usage is subject to the District's use of the facilities for the benefit of the District's present or future customers, and H3O is not entitled to use any facilities needed for public use by the District's present or future customers.

As partial consideration for the right of usage, H3O has paid the District \$50 per acre foot of water pumped through the District's water lines, as measured at the District's alluvial wells or the Guthrie turnout on the Brantner Ditch but not to exceed \$100,000 per year. As additional consideration, H3O agrees to construct improvements to the reservoir estimated to be \$750,000 and improvements to the water lines and to the District's delivery systems from the reservoirs, estimated to be \$250,000. The public improvements were dedicated to the District on or before the end of the term of this agreement (December 31, 2018) at no cost to the District. The District and H3O have continued operating under the terms of the agreement subsequent to the end of its term.

Water Purchase and Sale Agreement - Adams County

The District entered into a water lease agreement with Adams County on September 24, 2020 to sell up to 120 acre feet of water at \$300 per acre foot to Adams County each year. The agreement commenced on November 1, 2020 with an initial term ending on October 31, 2023. On or before October 31 of each year of the agreement term, Adams County shall provide the District with a written delivery projection for that year of the agreement term.

Water Lease Agreement - HTC

On January 1, 2016, the District entered into a new water lease agreement with HTC Golf Acquisitions, LLC (HTC) to lease nonpotable water to the golf course. The lease, as subsequently extended, expired on December 31, 2021. Under the terms of the lease, the District leases 300 acre feet of water annually to HTC at a rate of \$564.53 per acre foot, or \$1.73 per thousand gallons of nonpotable water drawn by HTC. The District and HTC have been operating under the terms of the initial lease subsequent to the expiration date.

Water Lease Agreements - WSP

On December 1, 2017, the District amended and restated a water lease agreement dated October 1, 2016 with WSP to lease consumptive water. The lease was set to expire on December 31, 2019. Under the terms of the lease, the District would lease and deliver 900 acre feet of water annually to WSP at a rate of \$400 per acre foot of consumptive water.

December 31, 2021 and 2020

Note 6 - Water Agreements (Continued)

On May 14, 2019, the District entered into the first amendment and extension to the amended and restated water lease agreement dated December 1, 2017. This action (1) extended the term through December 31, 2025, with a unilateral one-month termination notice period; (2) replaced the 900 acre feet annual delivery schedule with an annual lease request to be provided by WSP and responded to by the District, without jeopardizing the District's ability to meet its municipal water demands, at the District's sole discretion; (3) provides the District the ability to curtail and resume leasing consumptive water through notice to WSP, if the District determines, in its sole discretion that leasing consumptive water jeopardizes the District's ability to supply water to meet its current or future municipal water demands; (4) provides for WSP to request that the District deliver other water if the District has capacity to do so, at a rate of \$100 per acre foot; and (5) adjusts the lease fee to include for a profit calculation and guaranteed profit margin of 20 percent per annum by way of an additional annual payment due during the following year.

On December 1, 2020, the District entered into another lease agreement with WSP to lease water to the District on a monthly basis for amounts requested by the District. Any requests are subject to a delivery rate determined on a monthly basis. Additionally, the lease calls for an additional monthly lease fee in an amount equal to WSP's actual cost incurred per acre foot to acquire the water requested by the District. The lease has a stated maturity date of December 31, 2021 but will be automatically renewed annually as long as WSP owns the subject water rights.

Principals of WSP also serve on the District's board of directors.

Water Lease - Purchase Agreement - SACWSD and Adams County

On December 8, 2015, the District; Adams County, Colorado (the "County"); and SACWSD entered into an intergovernmental agreement regarding the Mann Lakes Reservoir (Mann Lakes). The County agreed to lease to the District and SACWSD certain storage and inlet/outlet capacity, as well as granted a license to use, access, manage, operate, repair, and maintain Mann Lakes and the area around Mann Lakes, which is controlled by the County. The County further granted the District and SACWSD a purchase option for the reservoir storage and inlet/outlet capacity, effective when the reservoir becomes operational and remaining in effect through the end of the lease purchase term. The minimum purchase amount is \$6,238,925, adjusted for credits to and from the District, as detailed in the lease purchase agreement. The term of the lease purchase expired on December 31, 2015; is subject to an automatic renewal for 12 consecutive one-year periods unless terminated prior to the end of the lease term; and is subject to annual appropriation by the District and SACWSD. The District made an earnest payment to the County of \$30,000, which shall be credited to the first year's lease purchase payment. Lease purchase payments are \$120,000 annually and are due on April 1 of each year once the reservoir becomes operational. The District anticipates that the reservoir will be operational during 2022.

Agreement for Purchase and Sale of Raw Water Assets - WSP

On November 22, 2019, the District entered into a purchase and sale agreement with WSP, a related party whose principals also serve on the District's board of directors (see Note 7). The District agreed to sell certain capital assets and water rights held by the District (as included in Note 4) to WSP with the guarantee that WSP will provide firm-yield raw water on demand to the District through a utility agreement, described below.

December 31, 2021 and 2020

Note 6 - Water Agreements (Continued)

The following is a listing of the prices and net book value of assets to be sold as part of this purchase and sale agreement at closing, as of December 31, 2021:

	Price	Original Cost	Net Book Value
Mann Lakes Reservoir	\$ 4,915,622	\$ 4,915,622	\$ 4,915,622
River One Pipeline	3,800,000	2,253,056	1,961,830
Signal Reservoirs	1,882,000	1,619,526	1,097,886
SS Pipeline (Marcus to Smith Connector)	456,800	-	-
2013 and 2016 Water Decreases	564,000	-	-
Signal Ditch Stock (minimal value)	-	-	-
Total	\$ 11,618,422	\$ 8,788,204	\$ 7,975,338

The Mann Lakes asset would be conveyed by a license agreement, by which the District grants to WSP the perpetual license and right to receive the interest and benefits of the District in, to, and under the Mann Lakes Agreements (see Water Lease - Purchase Agreement - SACWSD and Adams County above), including the District's purchase option, in exchange for an amount equal to the total amount paid by the District for its share of the costs of designing, permitting, and constructing the lakes. These costs are included in construction in progress and have not been depreciated.

The purchase price would be determined by the fair market value of the listed assets, as defined in the agreement, less any funds owed to WSP as part of the funding and reimbursement agreement described in Note 2. The District intends to use the proceeds from the sale of these assets to reduce its outstanding bond obligations, as described in Note 5.

Closings

According to the purchase and sale agreement WSP has a period of one year from the effective date to conduct due diligence and secure financing for the purchase and has the right to terminate the agreement if it is unable to perform. In the event that WSP is unable to perform within this period, the District would then have the ability to terminate the agreement. The purchase and sale agreement also provides the opportunity for up to three separate closings, at which point certain portions of assets would be conveyed at their established prices. The District entered into a series of amendments that extended the due diligence period an additional two years during 2021 and 2020.

In the event that the sale reaches initial closing, WSP and the District would be obligated to enter into a utility agreement, which would allow WSP to supply raw water to the District for a stated water management and delivery fee and a water resource fee. If this utility agreement were to be entered into, the agreement would need to be assessed for accounting and financial reporting treatment, including under the following accounting pronouncements: GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 87, *Leases*; and GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

Note 7 - Related Party Transactions

Two of the members of the District's board of directors are either stockholders or employees of West South Platte Water, LLC (the "Company"). The District entered into an agreement to perform the administrative duties, maintain and administer operations, and handle the financial affairs of the District with the Company for 2020. In 2019, the management services were provided by The Equinox Group, LLC. These contracts were written for annual terms with a possible extension for another annual term, but were subject to the District's annual budget and appropriation. As of December 31, 2021 and 2020, the District owed \$110,000 and \$104,054, respectively, to the Company, which is included in the accounts payable on the statement of net position.

Note 7 - Related Party Transactions (Continued)

A principal of H3O (see Note 6) also serves on the District's board of directors. At December 31, 2021 and 2020, the District owed H3O \$94,250 and \$80,262, respectively, and H3O owed the District \$6,500 related to the water agreements disclosed in Note 6.

A principal of HTC (see Note 6) also serves on the District's board of directors. At December 31, 2021 and 2020, the District owed HTC \$0 and \$195, respectively, and HTC owed the District \$6,658 and \$30,022, respectively, related to the water agreements disclosed in Note 6.

A principal of WSP also serves on the District's board of directors. For the years ended December 31, 2021 and 2020, the District paid WSP \$75,000 for rent expense included in the amount disclosed in Note 8. The District owed WSP \$138,339 and \$157,754 at December 31, 2021 and 2020, respectively, related to the rent agreement disclosed in Note 8 and the water agreements disclosed in Note 6. At December 31, 2021 and 2020, WSP owed the District \$105,000 and \$110,872, respectively, related to the water agreements disclosed in Note 6.

WSP also advanced funds to the District under the terms of the funding and reimbursement agreement disclosed in Note 2. At December 31, 2021 and 2020, the District owed WSP \$2,230,169 and \$2,440,169, respectively, related to this agreement.

Note 8 - Commitments and Contingencies

Commitments

The District leases office space from WSP, a related party (see Note 7), under a triple-net agreement that expires in August 2021. This lease was amended through a contract executed in February 2022. The District also entered into a lease during the year with WSP to lease pumping equipment with payments commencing in 2020 that expires in 2023. Additionally, the District has leases for office equipment with a bank and a financing company spanning through 2024 and 2022, respectively.

Total rental expense from the operating leases for the years ended December 31, 2021 and 2020 was \$302,620 and \$264,170, respectively.

Minimum base rental payments, excluding expected property taxes, due for the next five years and in total are as follows for the years ending December 31:

2022	\$	288,768
2023		134,388
2024		82,592
2025		81,000
2026		81,000
Total	\$	<u>667,748</u>

In January 2017, the District entered into an agreement with a third party to provide professional consulting and management services for planning, financing, constructing, and installing certain public improvements at a rate of 5 percent of gross billings for all contractors hired and constructions performed by the third party to complete the public improvements. The agreement was renewed in January 2018 and automatically renews each succeeding year until it is terminated.

Litigation

Prior to January 1, 2020, Filanc asserted claims against the District alleging breach of contract related to the construction of certain improvements to the Mann Lakes Reservoir for withholding payment. The District asserted counterclaims against Filanc in the civil action. Prior to January 1, 2020, Filanc and the District settled the civil action where the District agreed to a settlement payment of \$1,000,000, which was paid on February 28, 2020 by WSP. As part of the settlement, Filanc agreed to re-lease certain equipment and supplies.

December 31, 2021 and 2020

Note 8 - Commitments and Contingencies (Continued)

The District is involved in litigation from time to time in the ordinary course of business. In the opinion of management, the outcome of any such litigation will not materially affect the net position, results of operations, or cash flows of the District.

Note 9 - Tax, Spending, and Debt Limitations

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

The District's management believes it qualifies under the Water Activity Enterprise definition of TABOR and, therefore, is not subject to the requirements of TABOR. However, TABOR is complex and subject to interpretation.

Note 10 - Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial coverage limits in any of the past three years.

Other Supplemental Information

Todd Creek Village Metropolitan District

Other Supplemental Information Schedule of Revenue, Expenditures, and Changes in Funds Available - Budget and Actual (Budgetary Basis)

Year Ended December 31, 2021

	Original and Final Budget Amounts (Unaudited)	Actual	Variance with Final Budget - (Unfavorable) Favorable
Revenue			
Water revenue	\$ 5,074,295	\$ 4,581,219	\$ (493,076)
Failure to connect fees	213,696	222,600	8,904
Availability fees	3,840	1,135	(2,705)
Meter fees	100,668	135,350	34,682
Inspection fees	54,912	71,800	16,888
Penalties and other income	145,116	174,005	28,889
Total revenue	5,592,527	5,186,109	(406,418)
Expenditures			
District management	1,320,000	1,320,000	-
Utilities and water leases	1,603,164	2,212,156	(608,992)
Repairs and maintenance	925,056	400,597	524,459
Office expense	278,772	322,113	(43,341)
Legal	207,048	171,961	35,087
MXU system	137,940	222,574	(84,634)
Water treatment	179,655	140,900	38,755
Engineering	12,000	53,620	(41,620)
Insurance	42,074	42,774	(700)
Accounting and audit	27,856	25,174	2,682
Vehicle expense	81,768	80,511	1,257
Public relations	20,976	15,760	5,216
Miscellaneous	12,000	22,524	(10,524)
Total expenditures	4,848,309	5,030,664	(182,355)
Excess of Revenue Over Expenditures	744,218	155,445	(588,773)
Other Financing Sources (Uses)			
Interest income	22,296	2,001	(20,295)
Interest expense	(1,343,470)	(1,580,834)	(237,364)
Debt issuance costs	(5,500)	(4,000)	1,500
Capital lease payments	-	(17,295)	(17,295)
Debt service - Principal	(505,000)	(505,000)	-
Capital outlay	(714,876)	(30,655)	684,221
Total other financing uses	(2,546,550)	(2,135,783)	410,767
Capital Contributions	2,240,004	2,767,262	527,258
Net Change in Net Position	\$ 437,672	\$ 786,924	\$ 349,252

Todd Creek Village Metropolitan District

Note to Other Supplemental Information

December 31, 2021

Budgetary Information

A reconciliation of the schedule of revenue, expenditures, and changes in funds available - budget and actual (budgetary basis) to the fund-based statement of revenue, expenses, and changes in net position is as follows:

Revenue - Budgetary and GAAP basis	\$ 5,186,109
Expenditures - Budgetary basis	(5,030,664)
Depreciation	<u>(1,580,584)</u>
Total expenses - GAAP basis	(6,611,248)
Other financing uses - Budgetary basis	(2,135,783)
Debt service - Principal	505,000
Capital lease payments	17,295
Capital outlay	<u>30,655</u>
Nonoperating expense - GAAP basis	(1,582,833)
Capital contributions - Budgetary and GAAP basis	<u>2,767,626</u>
Change in net position per statement of revenue, expenses, and changes in net position	<u><u>\$ (240,346)</u></u>