

EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
Adams and Arapahoe Counties, Colorado

FINANCIAL STATEMENTS

With Independent Auditors' Report


December 31, 2022


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Independent Auditors' Report

To the Board of Directors
Eastern Adams County Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Eastern Adams County Metropolitan District (the "District") as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Eastern Adams County Metropolitan District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 Eastern Adams County Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that



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includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Adams County Metropolitan 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 Eastern Adams County Metropolitan 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

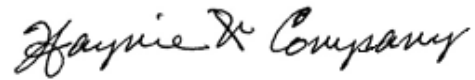
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Management is responsible for the other information, as listed in the table of contents included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists.

A handwritten signature in cursive script that reads "Haynie & Company".

Littleton, Colorado

April 29, 2024

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ending December 31, 2022**

History:

The Eastern Adams County Metropolitan District (District) was organized on December 15, 2000 to provide potable and non-potable water services and facilities, sanitary wastewater collection and treatment services and facilities, storm drainage improvements, street improvements, transportation, television translation and relay services and mosquito control both within and without the District boundaries. The District adopted a resolution on July 26, 2001 creating the Eastern Adams County Metropolitan District Water Activity Enterprise to finance, construct, acquire, operate and maintain improvements such as water and sanitary sewer facilities.

In September of 2001, the District entered into an agreement with the Strasburg Sanitation and Water District (Strasburg) whereby the District agreed to accept wastewater flows from Strasburg and Strasburg agreed to abandon its current lagoon system and pay the District for treating said wastewater flows. Execution of this agreement and subsequent approvals by the State of Colorado and the Denver Regional Council of Governments designated the District as the regional wastewater treatment service provider for an approximate 36 square mile area, which service is only to be provided on terms and conditions consistent with the District’s service polices.

Since inception, the District has maintained and enlarged its physical plant by adding water wells, storage tanks, water rights and lift stations as needed to serve its growing customer base while complying with all regulatory requirements and fiscal constraints. At year-end 2022, the District provides combined water and sanitary services to 884 rate payers and sanitary sewer service only to rate payers within the Strasburg Sanitation and Water District. At year-end 2022, a total of 2,207 single family residential equivalents were receiving and paying service charges and fees for services provided by the District.

Overview of the Financial Statements:

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

Statement of Net Position - The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Net Position - This statement measures the results of the District’s operations over the past year and may be used to determine profitability, credit worthiness and whether the District has successfully recovered all its costs through its user fees, taxes and other charges.

Statement of Cash Flows - The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing activities. It also provides information related to sources of cash received, how cash was used and how the cash changed during the reporting period.

This discussion and analysis is intended to serve as an introduction and guide to the District's basic financial statements which are comprised of the basic financial statements and notes to the financial statements.

General 2022:

District efforts in 2022 were focused on increasing its customer base, refining its operating efficiency, continuing routine maintenance activities, increasing its physical plant capacity and remaining in compliance with its wastewater discharge permit, water rights determinations, water replacement plans, intergovernmental agreements and providing safe and uninterrupted potable water and wastewater treatment to its customer base. In addition, the District continued to benefit from a more robust area housing market including the completion and sale of all homes in the Blackstone Ranch Filing No. 3 and No. 4 and the start of home construction in Wolf Creek Run West Filing No. 1.

Major 2022 Milestones:

- Issued the annual Consumer Confidence Report to all District water customers including all required tier 3 public notifications.
- Provided uninterrupted and safe potable water supply service to 844 households in the Coyote Ridge, Blackstone Ranch and Wolf Creek Run East and Wolf Creek Run West subdivisions.
- Provided wastewater treatment service to 1,363 households and businesses including 527 household equivalents located in the Strasburg Sanitation and Water District.
- In 2022, and for the first time, the District operated its Alluvial Well 1 for a full irrigation season. This well provides a renewable and high-capacity source of quality potable water to all District water customers.
- The District permitted both Arapahoe Wells 6 and 7 and successfully drilled its Arapahoe Well No. 6, which well will be connected to the potable water system in 2023. This well will add an additional 100,000 gallons per day of potable water capacity.
- The District received forty-two (42) combined water and sewer tap fees from Forestar (USA) Real Estate Group (Forestar) in conformance with its Connector's Agreement.
- Per the terms of the Connector's Agreement with Forestar, the District acquired by bill of sale dated August 4, 2022, the water and sanitary sewerage systems within Wolf Creek Run West Filing No. 1 for a value of \$1,356,337 which has been added to the District fixed assets. Subject to the warranty on said system, the District is now responsible for the operation and maintenance of both systems.
- The District complied with its bond covenants with a debt service coverage ratio of 7.12 versus the required 3.49 ratio. In addition, the District ended 2022 with the operations stabilization account fully funded in the amount of \$500,000.

General Discussion of District Financial Position:

The following discussion should be read in conjunction with the Notes to the Financial Statements.

Net Position

The following table presents the condensed statement of net position for the District as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 1,589,180	\$ 1,197,966
Capital assets, net	<u>12,409,097</u>	<u>11,505,007</u>
Total assets	<u>13,998,277</u>	<u>12,702,973</u>
Current liabilities	1,209,987	1,528,356
Long-term liabilities	<u>7,620,736</u>	<u>7,630,560</u>
Total liabilities	<u>8,830,723</u>	<u>9,158,916</u>
Net position		
Net investment in capital assets	3,669,587	927,317
Restricted	736,922	135,562
Unrestricted	<u>761,045</u>	<u>2,481,178</u>
Net position	<u>\$ 5,167,554</u>	<u>\$ 3,544,057</u>

Net position increased by \$1,623,497 in 2022 primarily due to the net addition in capital assets of \$904,090 and an increase in cash and cash equivalents of \$364,984. There was a reduction in total liabilities of \$328,193, primarily due to the reduction of reimbursements due to the developer of \$300,000.

Total current assets as of December 31, 2022 includes cash and cash equivalents of \$1,387,942, accounts receivable from customers of \$172,224 and prepaid insurance of \$29,014. Total current liabilities of \$1,209,987 consists of reimbursements due to developer of \$1,118,774 and accounts payable and accrued interest payable of \$72,359 and \$18,854, respectively. Noncurrent liabilities include the outstanding 2020 debt obligation. No principal payments were due on the 2020 debt obligation in 2022 and 2021.

Changes in Fund Balance and Net Position

The following table presents the condensed activity of the enterprise fund for the year ended December 31, 2022 compared to the 2022 adopted budget, the comparative amounts for 2021 and a reconciliation to the changes in net position for both years.

	<u>Actual</u>		<u>Adopted</u>	<u>Variance -</u>
	<u>2021</u>	<u>2022</u>	<u>Budget</u>	<u>Positive</u>
			<u>2022</u>	<u>(Negative)</u>
				<u>2022</u>
Revenues:				
General revenues				
User fees - General	\$ 858,081	\$ 960,642	\$ 784,041	\$ 176,601
User fees - Strasburg	198,433	198,433	173,617	24,816
Water tap fees	660,000	630,000	690,000	(60,000)
Sewer tap fees	627,000	598,500	655,500	(57,000)
Other revenues	39,474	35,501	-	35,501
Interest	651	2,108	300	1,808
Total revenues	<u>2,383,639</u>	<u>2,425,184</u>	<u>2,303,458</u>	<u>121,726</u>
Expenditures:				
General government	944,337	1,489,351	1,357,474	(131,877)
Debt service	217,937	226,250	226,250	-
Capital	832,428	-	-	-
Total expenditures	<u>1,994,702</u>	<u>1,715,601</u>	<u>1,583,724</u>	<u>(131,877)</u>
Excess of revenues over expenditures	<u>388,937</u>	<u>709,583</u>	<u>719,734</u>	<u>(10,151)</u>
Other financing sources:				
Bond proceeds	-	-	2,952,038	(2,952,038)
Total other financing sources	<u>-</u>	<u>-</u>	<u>2,952,038</u>	<u>(2,952,038)</u>
Net changes in fund balance	<u>388,937</u>	<u>709,583</u>	<u>\$ 3,671,772</u>	<u>\$ (2,962,189)</u>
Adjustments to reconcile net changes in fund balance to change in net position				
Depreciation expense	(365,807)	(452,247)		
Capital outlay	832,428	-		
Contribution of capital assets	-	1,356,337		
Bond premium amortization	9,824	9,824		
Total adjustments	<u>476,445</u>	<u>913,914</u>		
Change in net position of governmental activities	<u>865,382</u>	<u>1,623,497</u>		
Net position - beginning of year	<u>2,678,675</u>	<u>3,544,057</u>		
Net position - end of year	<u>\$ 3,544,057</u>	<u>\$ 5,167,554</u>		

Net Change in Fund Balance

The net change in fund balance for the year ended December 31, 2022 totaled \$709,583 compared to \$388,937 for the same period in 2021.

Total revenues increased \$41,545 from 2021 to 2022 and were \$121,726 over budget for 2022. Tap fees decreased \$58,500 from 2021 to 2022 and were \$117,000 under budget for 2022. Offsetting the decrease was an increase in user fees of \$102,561 in 2022 due to a greater number of overall rate payers receiving services from the District.

Operating expenditures increased \$545,014 from 2021 to 2022 and were \$131,877 over budget for 2022 which is primarily due to tap fee rebates of \$399,000 in 2022. There were no capital expenditures for budgetary purposes in 2022 compared to \$832,428 in 2021.

Change in Net Position

The change in net position for the year ended December 31, 2022 totaled \$1,623,497 compared to \$865,382 for the same period in 2021. The primary difference between change in fund balance and change in net position include depreciation, amortization and capital assets activity. The District recorded contributions of capital assets from developers of \$1,356,337 in 2022.

2023 Expectations:

In budget year 2023, the District will be focused on completing the projects listed in the Major Milestones Section of this MD&A and maintaining reliably efficient water and wastewater services.

Requests for Information:

This financial report is designed to provide a general overview of Eastern Adams County Metropolitan District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ryan Stachelski, District Manager
(303) 371-9000
Eastern Adams County Metropolitan District
100 St. Paul Street, Suite 300, Denver, CO 80206

SAFE HARBOR DISCLAIMER:

Statements in this report that are not historical are forward-looking statements subject to risk and uncertainties that could cause actual results to differ materially. Such risk and uncertainties include fluctuations in economies worldwide and within the District's markets, fluctuations in the District's customer's demands, changes in environmental and other governmental regulations, changes in terms from lenders, ability to retain key management and to reach agreement on intergovernmental agreements, changes in the District's ability to obtain capital for expansion and changes in energy prices.

BASIC FINANCIAL STATEMENTS

EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 661,692
Cash and cash equivalents - restricted	726,250
Accounts receivable	172,224
Prepaid expenses	29,014
Total current assets	1,589,180

CAPITAL ASSETS, NET

12,409,097

Total assets

13,998,277

LIABILITIES

Current liabilities

Accounts payable	72,359
Reimbursement payable - developer	1,118,774
Accrued interest payable	18,854
Total current liabilities	1,209,987

Noncurrent liabilities

Bond payable	7,620,736
Total noncurrent liabilities	7,620,736

NET POSITION

Net investment in capital assets	3,669,587
Restricted for debt service	707,396
Unrestricted	790,571
Total net position	\$ 5,167,554

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
For the Year Ended December 31, 2022**

Operating revenues	
Water and sewer usage fees	\$ 1,159,075
Total operating revenues	1,159,075
Operating expenses	
Accounting and audit	59,772
Consulting	13,694
Insurance	25,724
Legal	26,461
Maintenance	312,912
Management fee	110,207
Operating expense	215,424
Repairs and replacements	275,550
Supplies and equipment	50,607
Total operating expenses	1,090,351
OPERATING INCOME	68,724
NONOPERATING REVENUES	
Contributed assets	1,356,337
Tap fees	1,228,500
Miscellaneous	35,501
Interest	2,108
Total nonoperating revenues	2,622,446
NONOPERATING EXPENSES	
Bond interest	216,426
Depreciation	452,247
Tap fee rebates	399,000
Total nonoperating expenses	1,067,673
CHANGE IN NET POSITION	1,623,497
NET POSITION - BEGINNING OF YEAR	3,544,057
NET POSITION - END OF YEAR	\$ 5,167,554

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,132,845
Payments to suppliers	(1,108,720)
Net cash provided by operating activities	24,125
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond interest	(226,250)
Water and sewer tap fees, net of rebates	829,500
Miscellaneous income	35,501
Interest	2,108
Repayment of reimbursable payable to developer	(300,000)
Net cash provided by capital and related financing activities	340,859
NET INCREASE IN CASH AND CASH EQUIVALENTS	364,984
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,022,958
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,387,942
 Reconciliation of income from operations to net cash provided by operating activities	
Operating income	\$ 68,724
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Decrease in:	
Accounts receivable	(26,230)
Accounts payable	(18,369)
Net cash provided by operating activities	\$ 24,125

These financial statements should be read only in connection with the accompanying notes to financial statements.

EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 - DEFINITION OF REPORTING ENTITY

Eastern Adams County Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on December 15, 2000 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located partially in Adams County and partially in Arapahoe County. The District was established to provide sanitation, water facilities, street improvements, mosquito control, television relay and translation services. On August 31, 2020 the Eastern Adams County Metropolitan District Subdistrict (Subdistrict) was formed. The Subdistrict has had no activity since inception and in 2022 the board of directors adopted a resolution to dissolve the Subdistrict.

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, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity. The District has no employees and contracts for all of its management and professional services (see Note 8).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles 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.

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. 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 loans is recorded as a reduction in liabilities.

EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Operating Revenues and Expenses

Enterprise funds distinguish between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Change in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts. Actual results could differ from these estimates.

Budgets

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

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Bond Premium

In the financial statements, the bond premium is being amortized over the term of the bonds. As of December 31, 2022, the accumulated amortization of the bond premium was \$185,736.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets of the District include municipal water and wastewater systems, land and water rights. Capital assets are recorded by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost when provided or constructed. Donated and/or exchanged capital assets are recorded at the acquisition value at the date of donation or at the developers' cost. During 2022, the District recorded a noncash contribution of capital assets in the amount of \$1,356,337.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is computed using the straight-line method for depreciable assets over the following useful lives:

<u>Asset</u>	<u>Class Life (Depreciable Years)</u>
Water System	25
Sewer System	15

Net Position

Net position represents the differences 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 – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent proceeds, they are not included in the calculation of net investment in capital assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed through constitution provisions or enabling legislation.

Unrestricted – This component of net position consists of all other categories of net position.

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

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents - unrestricted	\$ 661,692
Cash and cash equivalents - restricted	726,250
Total cash and cash equivalents	<u>\$ 1,387,942</u>
Deposits with financial institutions	<u>\$ 1,387,942</u>
	<u>\$ 1,387,942</u>

As of December 31, 2022, the District’s cash deposits had a bank balance of \$1,390,879 and a carrying balance of \$1,387,942.

Cash Deposits

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 form a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is maintained by another institution or held in trust.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

Investments

The District has not adopted formal investment policies; however, it 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.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

The District had no investments as of December 31, 2022.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets during the year ended December 31, 2022 is as follows:

<u>Description</u>	<u>Balance at December 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2022</u>
Capital assets not being depreciated				
Land	\$ 221,500	\$ -	\$ -	\$ 221,500
Water rights	4,868,000	843,549	-	5,711,549
Construction in progress	2,022,324	-	(2,022,324)	-
Total capital assets not being depreciated	<u>7,111,824</u>	<u>843,549</u>	<u>(2,022,324)</u>	<u>5,933,049</u>
Capital assets being depreciated				
Buildings - water	5,573,135	1,382,529	-	6,955,664
Buildings - wastewater	5,456,330	1,152,583	-	6,608,913
Other assets	14,633	-	(14,633)	-
Total capital assets being depreciated	<u>11,044,098</u>	<u>2,535,112</u>	<u>(14,633)</u>	<u>13,564,577</u>
Less accumulated depreciation	<u>(6,650,915)</u>	<u>(452,247)</u>	<u>14,633</u>	<u>(7,088,529)</u>
Total capital assets being depreciated, net	<u>4,393,183</u>	<u>2,082,865</u>	<u>-</u>	<u>6,476,048</u>
Total capital assets, net	<u>\$ 11,505,007</u>	<u>\$ 2,926,414</u>	<u>\$ (2,022,324)</u>	<u>12,409,097</u>
				Less outstanding bond payable (7,620,736)
				Less developer reimbursement payable (1,118,774)
				<u>\$ 3,669,587</u>

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2022:

Description	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
Revenue bond					
Series 2020	\$ 7,435,000	\$ -	\$ -	\$ 7,435,000	\$ -
Bond premium	195,560	-	9,824	185,736	-
Total	<u>\$ 7,630,560</u>	<u>\$ -</u>	<u>\$ 9,824</u>	<u>\$ 7,620,736</u>	<u>\$ -</u>

\$7,435,000 Water Activity Revenue Refunding Bonds, Series 2020

On June 18, 2020, the District issued \$7,435,000 Water Activity Revenue Refunding Bonds, Series 2020 (2020 Bonds). The 2020 Bonds mature, bear per annum interest and are priced as shown below. Interest on the 2020 Bonds is payable semiannually on June 1 and December 1 and principal payments are due December 1 of each year. Proceeds from the 2020 Bonds were used to refund the District’s outstanding Water Activity Enterprise Revenue Refunding Bonds, Series 2016, refund the District’s outstanding Water Activity Enterprise Revenue Refunding and Improvement Bonds, Series 2018, fund the capitalized interest fund and pay the issuance costs of the 2020 Bonds including the cost of bond insurance. The 2020 Bonds are subject to an optional and mandatory sinking fund redemption prior to maturity.

The 2020 Bonds are special revenue obligations of the District, acting by and through its Water Activity Enterprise, payable out of net revenue (gross revenue after deducting operation and maintenance expenses) derived from the District’s water and wastewater systems and, if necessary, from the reserve account. The net revenue received each year must be equal to 125% (1.25 times) the amount necessary to pay when due the principal and interest on the 2020 Bonds (and any parity obligations) coming due during the year and any necessary replenishment of the reserve account. The reserve account is to be maintained in an amount which is equal to the combined maximum annual principal and interest. The amount held in reserve is \$226,250 as of December 31, 2022.

In addition, the terms of the 2020 Bonds require that the District maintain a special account to be available for the purpose of paying, if necessary, any lawful expenditures of the District. As of December 31, 2022, the balance in the special account was \$500,000. The District may cease to maintain the special account at such time that the net revenue for two consecutive years is not less than 125% (1.25 times) of the combined maximum annual principal and interest requirements (and any parity obligations) then outstanding. The District has met the requirements needed to no longer maintain the account, however the District has covenanted to maintain it at the required balance through December 31, 2026.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Significant events of default by the District include (i) principal or interest payments are not made when due, (ii) defaults in the performance or observance of any of the covenants, agreements or conditions in the indenture or the bond resolution and (iii) legal proceedings are filed under federal bankruptcy laws seeking to adjust the obligation represented by the 2020 Bonds.

Upon the occurrence and continuance of an event of default, the owners of the 2020 Bonds may proceed to protect and enforce the rights of the owners under the 2020 bond resolution by mandamus or such other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction. In addition, acceleration of the 2020 Bonds shall not be an available remedy for an event of default.

The following tables set forth the interest rates and estimated debt service payment schedule for the principal and interest on the 2020 Bonds:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Interest</u> <u>Rate</u>
2023-2026	2.00%
2027-2030	4.00%
2031-2035	3.00%
2036-2037	2.50%
2038-2049	3.00%

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 226,250	\$ 226,250
2024	-	226,250	226,250
2025	30,000	226,250	256,250
2026	75,000	225,650	300,650
2027	115,000	224,150	339,150
2028-2032	1,160,000	1,019,200	2,179,200
2033-2037	1,490,000	807,425	2,297,425
2038-2042	1,700,000	585,750	2,285,750
2043-2047	1,985,000	314,100	2,299,100
2048-2049	880,000	39,750	919,750
	<u>\$ 7,435,000</u>	<u>\$ 3,894,775</u>	<u>\$ 11,329,775</u>

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Election Authorized Debt

At the elections, the District's qualified electors voting at such election approved the indebtedness in the amount of \$113,700,000 for the purpose of financing the costs of acquiring, constructing, relocating, installing, completing and otherwise providing certain public improvements within and without the District. According to District officials, although the District service plan authorizes the District to construct and or provide all the services allowed by State statute, the District limits its efforts to the provision of potable water, sanitary sewer services and limited storm water facilities. Further, the elections authorized indebtedness of \$1,000,000 for debt incurred for operations and maintenance costs, \$60,000,000 for intergovernmental agreements and \$113,700,000 for debt incurred for refunding purposes. As enterprise refunding obligations, the Bonds do not require and are not issued pursuant to voted authorization. As of December 31, 2022 the District had not issued bonds or otherwise incurred debt which utilizes the voted authorization.

Service Plan Debt Limit

The District's service plan does not establish a total debt limit for the District.

NOTE 6 - NET POSITION

Net position consists of three components: net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets owned by the District, net of accumulated depreciation and reduced by the outstanding balances of long-term obligations that are attributable to the acquisition, construction or improvement of assets owned by the District and assets transferred to other governments.

As of December 31, 2022, the District had a net investment in capital asset balance of \$3,669,587.

The restricted portion of the net position includes amounts that are restricted either externally by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$ 707,396 as of December 31, 2022 for payment of future debt service requirements.

The District's unrestricted net position as of December 31, 2022, totaled \$790,571.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 7 - REIMBURSEMENT AND INTERGOVERNMENTAL AGREEMENTS

Regional Wastewater Treatment Agreement

The District and Strasburg Sanitation and Water District (SSWD) have entered into an agreement whereby the District will build a wastewater treatment plant, major interceptors and lift stations and any other appropriate facilities, which may comprise a regional wastewater treatment system. The District shall own, operate, maintain and expand the Regional Wastewater Treatment Plant. SSWD shall pay the District for connection fees on connections over and above those existing at the date of the agreement and for monthly sewer charges.

Fees charged by the District under this agreement totaled \$198,433 in 2022.

Alluvial Aquifer Replacement Plan

The District entered into a stipulation agreement on July 16, 2007 with the North Kiowa-Bijou Groundwater Management District and with the Groundwater Commission of the State of Colorado on April 27, 2007. On September 10, 2007 the District received a Colorado Ground Water Commission Findings and Order allowing for withdrawal and replacement of ground water from the alluvium of Wolf Creek. In 2021 this plan was fully implemented and the alluvial water supply has been completely integrated into the District's water supply. In 2022, just over 8-acre feet of alluvial water was pumped and put to beneficial use.

Connector's Agreement

On February 17, 2021, the District entered into a Connector's Agreement with Forestar (USA) Real Estate Group, Inc. (Forestar) detailing the terms, conditions and obligations of each party for the District to provide potable water and sanitary sewer service to the property known as Wolf Creek Run West lying west of Piggott Road and north of E. 26th Avenue. Development of this property is a continuation of the overall Wolf Creek Run development of which Wolf Creek Run East is fully developed and served by the District. This agreement replaces and fully supplants the previous agreement with Pauls Development East, LLC for the same property.

The agreement provides for the District to serve up to 389 single family equivalents, sets forth the tap fees to be paid, the tap reimbursement amount, asset transfer provisions, and facility construction requirements. As of December 31, 2022, Forestar has constructed 102 single family lots on the property within a subdivision known as Wolf Creek Run West Filing No. 1 and has paid forty-two (42) tap fees and meter set fees in accordance with the agreement terms. Forestar has sold forty-two (42) of the 102 lots to Dream Finders, which has begun construction of single-family homes on said lots. In 2022, the District reimbursed Forestar a total of \$399,000 in accordance with the agreement.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

**NOTE 7 – REIMBURSEMENT AND INTERGOVERNMENTAL AGREEMENTS
(CONTINUED)**

On August 4, 2022, the District accepted a bill of sale from Forestar in the amount of \$1,356,337 for water and sanitary sewer improvements installed by Forestar in Wolf Creek Run West Filing No. 1 and conveyed the improvements, subject to the required warranty period, to the District, for long term operation and maintenance. There is no District reimbursement obligation associated with these improvements.

NOTE 8 - THE DEVELOPER

In 2022, the owner of the undeveloped land served by the District was Pauls Development East, LLC (Developer). Certain board members of the District are officers or consultants to the Developer.

Water Service Agreement

The District has entered into a water service agreement with the Developer to serve certain properties. The Developer is responsible for the construction of all distribution lines within the served property and construction of District capital improvements needed by the District to serve the property.

Management Agreement

The District has entered into a management agreement with PaulsCorp, LLC (PaulsCorp), a related entity of the Developer to provide management services to the District. Under this agreement the District incurred expenses from PaulsCorp totaling \$110,207 in 2022 for services provided.

As of December 31, 2022 the District owed PaulsCorp \$4,284. This amount is included in accounts payable.

Public Improvements Construction and Reimbursement Agreement

The District entered into a construction and reimbursement agreement with the Developer to allow reimbursement of certain permitting, design and construction costs. The agreement provides for the procedure, cost verification, improvement acceptance and District acquisition for all public improvements for which a reimbursement obligation is due by the District. The obligations of the District to pay the reimbursement shall become binding upon the date the District accepts the improvements. However, the agreement shall not constitute debt or a multiple fiscal year direct or indirect debt and shall not constitute the District's pledge of funds from any specific source. In 2017, an Assignment and Assumption of Contract by and between the Developer and PaulsCorp assigned the right to reimbursement from the Developer to PaulsCorp.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

NOTE 8 - THE DEVELOPER (CONTINUED)

In 2022, the District reimbursed PaulsCorp a total of \$239,999 and the Developer a total of \$60,001 under this agreement. As of December 31, 2022, the balance due under this agreement to the Developer was \$1,118,774.

Denver Aquifer Replacement Plan

On October 10, 2005, the District entered into an agreement with the Developer that requires the Developer to undertake all actions and bear all costs associated with preparing and obtaining approval of a replacement plan to allow the District to utilize the Denver aquifer water transferred from the Developer to the District under terms of the water service and water purchase agreements referenced herein above.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District is one of approximately 360 special districts, which are members of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by an intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. The Pool provides for liability coverage for claims up to \$2,000,000. Employment related wrongful termination claims are shared 50% with the Pool up to \$200,000. Workers' compensation claims are covered up to statutory limits with claims related to employer's liability up to \$2,000,000. Settled claims have not exceeded this coverage in any of the last three fiscal years.

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20, of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments. Enterprises, defined as government-owned businesses 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 its operations qualify for this exclusion.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2022**

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

On November 7, 2000, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all revenue, except property taxes, received by the District without regard to any limitations under TABOR. The District's management believes it complies 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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended December 31, 2022**

	Budget Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original and Final	2022	
REVENUES			
User fees - General	\$ 784,041	\$ 960,642	\$ 176,601
User fees - Strasburg	173,617	198,433	24,816
Water tap fees	690,000	630,000	(60,000)
Sewer tap fees	655,500	598,500	(57,000)
Miscellaneous	-	35,501	35,501
Interest	300	2,108	1,808
Total revenues	<u>2,303,458</u>	<u>2,425,184</u>	<u>121,726</u>
EXPENDITURES			
Operating			
Accounting and audit	4,500	59,772	(55,272)
Consulting	3,000	13,694	(10,694)
Insurance	26,500	25,724	776
Legal	13,000	26,461	(13,461)
Maintenance	322,610	312,912	9,698
Management fee	135,000	110,207	24,793
Operating expense	181,270	215,424	(34,154)
Tap fee rebates	-	399,000	(399,000)
Repair and replacements	657,000	275,550	381,450
Supplies and equipment	14,594	50,607	(36,013)
Total operating expenditures	<u>1,357,474</u>	<u>1,489,351</u>	<u>(131,877)</u>
Debt service			
Bond interest	226,250	226,250	-
Bond issuance costs	300,000	-	300,000
Total debt service	<u>526,250</u>	<u>226,250</u>	<u>300,000</u>
Capital outlay			
Capital outlay	600,000	-	600,000
Total capital outlay	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total expenditures	<u>2,483,724</u>	<u>1,715,601</u>	<u>768,123</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(180,266)</u>	<u>709,583</u>	<u>889,849</u>
OTHER FINANCING SOURCES/(USES)			
Bond proceeds	3,000,000	-	(3,000,000)
Transfers out	(47,962)	-	47,962
Total other financing sources (uses)	<u>2,952,038</u>	<u>-</u>	<u>(2,952,038)</u>
NET CHANGE IN FUND BALANCE	2,771,772	709,583	(2,062,189)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>4,281,244</u>	<u>(311,536)</u>	<u>(4,592,780)</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,053,016</u>	<u>\$ 398,047</u>	<u>\$ (6,654,969)</u>

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year ended December 31, 2022**

Reconciliation of budgetary basis (actual) to Statement of Revenues,

Expenses and Change in Net Position:

Revenues (budgetary basis)	\$ 2,425,184
Contributed assets	1,356,337
	<u>3,781,521</u>
Total revenues per Statement of Revenues, Expenses and Change in Net Position	<u>3,781,521</u>
Expenditures (budgetary basis)	1,715,601
Bond premium	(9,824)
Depreciation	452,247
	<u>2,158,024</u>
Total expenses per Statement of Revenues, Expenses and Change in Net Position	<u>2,158,024</u>
Change in net position	<u>\$ 1,623,497</u>

OTHER INFORMATION

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
DEBT SERVICE COVERAGE
December 31, 2022**

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Gross Revenues			
Operating income	\$ 948,184	\$ 1,056,514	\$ 1,159,075
Nonoperating income	9,360	40,125	37,609
Capital contributions	780,000	1,287,000	1,228,500
Total gross revenues	<u>1,737,544</u>	<u>2,383,639</u>	<u>2,425,184</u>
 Total operating expenses	 <u>641,285</u>	 <u>644,513</u>	 <u>1,090,351</u>
 Net revenues	 <u><u>\$ 1,096,259</u></u>	 <u><u>\$ 1,739,126</u></u>	 <u><u>\$ 1,334,833</u></u>
 Current Annual Debt Service	 \$ 260,116	 \$ 226,250	 \$ 226,250
 Current Annual Debt Service Coverage	 4.21x	 7.69x	 7.12x
 Maximum Annual Debt Service (1)	 \$ 461,800	 \$ 461,800	 \$ 461,800
 Maximum Annual Debt Service Coverage (1)	 2.37x	 3.77x	 3.49x
 Balance of Operations Stabilization Account (1)	 \$ 200,000	 \$ 300,000	 \$ 500,000

(1) The maximum amount required in the Operations Stabilization Account is \$500,000. The District has met the requirements needed to no longer maintain the account as outlined in the 2020 bond documents, however the District has covenanted to maintain the account at the required balance through December 31, 2026.

**EASTERN ADAMS COUNTY METROPOLITAN DISTRICT
HISTORY OF EQR SYSTEM ACCOUNTS
December 31, 2022**

Year	Potable Water Customers (1)			Wastewater Customers (2)			Total EQR Accounts
	Non- Strasburg Residential	Non- Strasburg Commercial	Total Water	Non- Strasburg Residential	In- Strasburg	Total Wastewater	
2020	665	8	673	664	527	1,191	1,864
2021	731	8	739	731	527	1,258	1,997
2022	836	8	844	836	527	1,363	2,207

(1) Includes only Non-Strasburg rate payers

(2) Includes both Non-Strasburg and Strasburg rate payers