

**PINERY COMMERCIAL
METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pinery Commercial Metropolitan District No. 1
Douglas County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pinery Commercial Metropolitan District No. 1 (the "District"), Town of Parker, Colorado, as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Pinery Commercial Metropolitan District No. 1's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.² Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Pinery Commercial Metropolitan District No. 1, Town of Parker, Colorado, as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pinery Commercial Metropolitan District No. 1's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental schedules of Debt Service Fund - Schedule Revenues, Expenditures and Changes in Fund Balance - Budget and Actual and Capital Projects Fund - Schedule Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on it.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC

July 26, 2020
Centennial, Colorado

BASIC FINANCIAL STATEMENTS

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,077
Cash and Investments - Restricted	1,109
Due from Other Districts	220
Receivable - County Treasurer	7
Property Taxes Receivable	950
Capital Assets, Not Being Depreciated	4,672,062
Total Assets	4,676,425
LIABILITIES	
Accounts Payable	19,397
Noncurrent Liabilities:	
Due in More Than One Year	4,934,478
Total Liabilities	4,953,875
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenues	950
Total Deferred Inflows of Resources	950
NET POSITION	
Restricted for:	
Emergency Reserves	300
Debt Service	815
Unrestricted	(279,515)
Total Net Position	\$ (278,400)

See accompanying Notes to Basic Financial Statements.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 93,256	\$ -	\$ 7,543	\$ -	\$ (85,713)
Interest and Related Costs on Long-Term Debt	101,891	-	-	-	(101,891)
Total Governmental Activities	\$ 195,147	\$ -	\$ 7,543	\$ -	(187,604)
 GENERAL REVENUES					
Property Taxes					950
Specific Ownership Taxes					82
Total General Revenues					1,032
 CHANGE IN NET POSITION					
					(186,572)
Net Position - Beginning of Year					(91,828)
 NET POSITION - END OF YEAR					
					\$ (278,400)

See accompanying Notes to Basic Financial Statements.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Fund
ASSETS				
Cash and Investments	\$ 2,077	\$ -	\$ -	\$ 2,077
Cash and Investments - Restricted	300	809	-	1,109
Due from Other Districts	220	-	-	220
Receivable - County Treasurer	1	6	-	7
Property Taxes Receivable	190	760	-	950
	<u>\$ 2,788</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ 4,363</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 19,397	\$ -	\$ -	\$ 19,397
Total Liabilities	19,397	-	-	19,397
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Taxes	190	760	-	950
Total Deferred Inflows of Resources	190	760	-	950
FUND BALANCES				
Restricted for:				
Emergency Reserves	300	-	-	300
Future Debt Service	-	815	-	815
Unassigned	(17,099)	-	-	(17,099)
Total Fund Balances	(16,799)	815	-	(15,984)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,788</u>	<u>\$ 1,575</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Not Being Depreciated

4,672,062

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable

(4,868,641)

Accrued Interest on Developer Advance

(65,837)

Net Position of Governmental Activities

\$ (278,400)

See accompanying Notes to Basic Financial Statements.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Capital Projects	Total Governmental Fund
REVENUES				
Property Taxes	\$ 190	\$ 760	\$ -	\$ 950
Specific Ownership Taxes	16	66	-	82
Transfers from District No. 2	7,543	-	-	7,543
Total Revenues	<u>7,749</u>	<u>826</u>	<u>-</u>	<u>8,575</u>
EXPENDITURES				
General:				
Accounting	15,468	-	-	15,468
County Treasurer's Fees	3	11	-	14
Dues and Licenses	567	-	-	567
Election Expense	875	-	-	875
Insurance	5,151	-	-	5,151
Landscaping	29,076	-	-	29,076
Legal Services	21,317	-	-	21,317
Utilities	12,722	-	-	12,722
Engineering	-	-	8,077	8,077
Bond Issue Costs	-	-	43,761	43,761
Capital Projects:				
Capital Outlay	-	-	4,658,204	4,658,204
Total Expenditures	<u>85,179</u>	<u>11</u>	<u>4,710,042</u>	<u>4,795,232</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,430)	815	(4,710,042)	(4,786,657)
OTHER FINANCING SOURCES (USES)				
Developer Advance	64,167	-	4,714,474	4,778,641
Total Other Financing Sources (Uses)	<u>64,167</u>	<u>-</u>	<u>4,714,474</u>	<u>4,778,641</u>
NET CHANGE IN FUND BALANCES	(13,263)	815	4,432	(8,016)
Fund Balances (Deficits) - Beginning of Year	<u>(3,536)</u>	<u>-</u>	<u>(4,432)</u>	<u>(7,968)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (16,799)</u>	<u>\$ 815</u>	<u>\$ -</u>	<u>\$ (15,984)</u>

See accompanying Notes to Basic Financial Statements.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICITS) OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (8,016)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay - Current Year 4,658,204

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

Developer Advances (4,778,641)

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

Accrued Interest on Developer Advance (58,119)

Change in Net Position of Governmental Activities \$ (186,572)

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 190	\$ 190	\$ 190	\$ -
Specific Ownership Taxes	17	15	16	1
Transfers from District No. 2	7,570	7,538	7,543	5
Total Revenues	<u>7,777</u>	<u>7,743</u>	<u>7,749</u>	<u>6</u>
EXPENDITURES				
Accounting	20,000	15,000	15,468	(468)
Bond Issue Costs	-	60,000	-	60,000
County Treasurer's Fees	3	3	3	-
Contingency	4,997	-	-	-
Dues and Licenses	600	567	567	-
Election Expense	3,000	875	875	-
Insurance	5,800	5,150	5,151	(1)
Landscaping	22,000	22,000	29,076	(7,076)
Legal Services	25,000	16,000	21,317	(5,317)
Utilities	600	14,500	12,722	1,778
Total Expenditures	<u>82,000</u>	<u>134,095</u>	<u>85,179</u>	<u>48,916</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,223)	(126,352)	(77,430)	48,922
OTHER FINANCING SOURCES (USES)				
Developer Advance	75,000	130,188	64,167	(66,021)
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>130,188</u>	<u>64,167</u>	<u>(66,021)</u>
NET CHANGE IN FUND BALANCE	777	3,836	(13,263)	(17,099)
Fund Balance (Deficit) - Beginning of Year	<u>452</u>	<u>(3,536)</u>	<u>(3,536)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,229</u>	<u>\$ 300</u>	<u>\$ (16,799)</u>	<u>\$ (17,099)</u>

See accompanying Notes to Basic Financial Statements.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Pinery Commercial Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Douglas County, Colorado on December 12, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

At special elections of the eligible electors of the District on November 5, 2005, and on May 8, 2018, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

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 all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, 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 and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

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

Property Taxes

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets 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.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets component of the District's net position.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, 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.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

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

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 2,077
Cash and Investments - Restricted	1,109
Total Cash and Investments	\$ 3,186

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 3,148
Investments	38
Total Cash and Investments	\$ 3,186

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District’s cash deposits had a bank balance and carrying balance of 3,148.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

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

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	<u>\$ 38</u>

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), 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 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, certain money market funds 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 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. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2020, follows:

	Balance - December 31, 2019	Additions	Reductions	Balance - December 31, 2020
Governmental Type Activities:				
Capital Assets, Not Being				
Depreciated:				
Construction in Progress	\$ 13,858	\$ 4,658,204	\$ -	\$ 4,672,062
Total Capital Assets, Not Being Depreciated	<u>\$ 13,858</u>	<u>\$ 4,658,204</u>	<u>\$ -</u>	<u>\$ 4,672,062</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance - December 31, 2019	Additions	Reductions	Balance - December 31, 2020	Due Within One Year
Other Debts:					
Developer Advance - O&M	\$ 90,000	\$ 64,167	\$ -	\$ 154,167	\$ -
Developer Advance - Capital	-	4,714,474	-	4,714,474	-
Accrued Interest on:					
Developer Advance - O&M	7,718	7,745	-	15,463	-
Developer Advance - Capital	-	50,374	-	50,374	-
Subtotal of Other Debts	<u>97,718</u>	<u>4,836,760</u>	<u>-</u>	<u>4,934,478</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 97,718</u>	<u>\$ 4,836,760</u>	<u>\$ -</u>	<u>\$ 4,934,478</u>	<u>\$ -</u>

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 1, 2005 Election	Authorized May 8, 2018 Election	Remaining at December 31, 2020
Public Improvements	\$ 75,000,000	\$ 500,000,000	\$ 575,000,000
Operations and Maintenance	15,000,000	50,000,000	65,000,000
Intergovernmental Agreements	15,000,000	150,000,000	165,000,000
Refunding	15,000,000	50,000,000	65,000,000
Total	<u>\$ 120,000,000</u>	<u>\$ 750,000,000</u>	<u>\$ 870,000,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$10,000,000. The First Amendment to Consolidated Service Plan states that the combined new debt limitation for the District and Pinery Commercial Metropolitan District No. 2 is \$55,000,000 specifically exclusive of interest that may accrue on any outstanding debt obligations of the Districts and the refunding of District debt.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted net position includes assets that are restricted for use either externally imposed 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 as of December 31, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 300
Debt Service	815
Total Restricted Net Position	<u>\$ 1,115</u>

The District has a deficit in unrestricted net position. This deficit is primarily due to operating expenses paid by advances from Developer.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 AGREEMENTS

Infrastructure Acquisition and Reimbursement Agreement

The District and TF Pinery West L.P. (Developer) entered into an Infrastructure Acquisition and Reimbursement Agreement on March 9, 2018. Pursuant to the agreement, the District and the Developer acknowledge that the District is authorized to construct, acquire and install public improvements and other facilities and services that benefit the Property, subject to the limitations set forth in the Service Plan.

The parties agreed that only completed phases of work shall be eligible for reimbursement by the District. The District agrees to reimburse the Developer for certified construction costs related to public improvements together with simple interest that shall accrue on amounts reimbursable to the Developer under this agreement, until paid, at the rate of six- and one-half percent (6.5%) per annum.

As of December 31, 2020, outstanding advances under this agreement totaled \$4,714,474 and accrued interest totaled \$50,374.

Funding and Reimbursement Agreement (Operations and Maintenance)

The District and the Developer entered into a Funding and Reimbursement Agreement (O&M) on March 9, 2018, for the purposes of funding operations and maintenance costs. The Developer agreed to loan to the District one or more sums of money, not to exceed the aggregate of One Hundred Thousand Dollars (\$100,00) per annum for four years, up to Four Hundred Thousand Dollars (\$400,000) through December 31, 2021. With respect to each loan advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance, the interest rate shall be 6.5% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount.

As of December 31, 2020, outstanding advances under this agreement totaled \$154,167 and accrued interest totaled \$15,463.

District Administrative Services Agreement (District Nos. 1-2)

Effective as of June 11, 2019, the Districts entered into a District Administrative Services Agreement for the purpose of establishing the respective obligations of the Districts with respect to the coordination, oversight, and funding of certain administrative costs of the Districts, and costs related to the continued operation and maintenance of certain of the public improvements within such Districts. Pursuant to the agreement, District No. 1 was designated as the “coordinating district”. District No. 2 was designated as “financing district”.

NOTE 8 RELATED PARTIES

The property within the District is being developed by TF Pinery West L.P. (Developer). During 2020, all of the members of the Board of Directors were officers or employees of, or otherwise associated with the Developer, and may have conflicts of interest in matters involving the District.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional 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 LIMITATION

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.

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

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

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

SUPPLEMENTARY INFORMATION

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budgets	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 760	\$ 760	\$ -
Specific Ownership Taxes	68	66	(2)
Total Revenues	<u>828</u>	<u>826</u>	<u>(2)</u>
EXPENDITURES			
County Treasurer's Fees	11	11	-
Total Expenditures	<u>11</u>	<u>11</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	817	815	(2)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 817</u></u>	<u><u>\$ 815</u></u>	<u><u>\$ (2)</u></u>

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Bond Issue Costs	-	43,761	43,761	-
Capital Outlay	1,250,000	4,658,204	4,658,204	-
Engineering	-	8,077	8,077	-
Total Expenditures	1,250,000	4,710,042	4,710,042	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,250,000)	(4,710,042)	(4,710,042)	-
OTHER FINANCING SOURCES (USES)				
Developer Advance	1,250,000	4,714,474	4,714,474	-
Total Other Financing Sources (Uses)	1,250,000	4,714,474	4,714,474	-
NET CHANGE IN FUND BALANCE	-	4,432	4,432	-
Fund Balance (Deficit) - Beginning of Year	-	(4,432)	(4,432)	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

OTHER INFORMATION

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 16,560	0.000	0.000	\$ -	\$ -	N/A
2017	16,560	0.000	0.000	-	-	N/A
2018	19,190	0.000	0.000	-	-	N/A
2019	19,190	0.000	0.000	-	-	N/A
2020	19,010	10.000	40.000	950	950	100.00 %
Estimated for the Year Ending <u>December 31,</u> 2021	\$ 19,010	10.000	40.000	\$ 950		