

Powhatan Road Metropolitan District No. 1

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Powhaton Road Metropolitan District No. 1
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Powhaton Road Metropolitan District No. 1 (the District), Arapahoe County, 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

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 (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Powhaton Road Metropolitan District No. 1, Arapahoe County, Colorado, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. GAAP.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund was presented for the purpose of additional analysis and was not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund is the responsibility of management and were 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.

Hiratsuka & Associates, LLP

September 29, 2021
Wheat Ridge, Colorado

Powhatan Road Metropolitan District No. 1

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 646,895	\$ -	\$ 646,895	\$ -	\$ 646,895
Cash and investments - restricted	19,801	157,662	177,463	-	177,463
Receivable from District 7	724	-	724	-	724
Prepaid expenses	37,626	-	37,626	-	37,626
Capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,586,228</u>	<u>16,586,228</u>
Total Assets	<u>\$ 705,046</u>	<u>\$ 157,662</u>	<u>\$ 862,708</u>	<u>16,586,228</u>	<u>17,448,936</u>
LIABILITIES					
Accounts payable	\$ 18,132	\$ -	\$ 18,132	-	18,132
Payable to District No. 2	500,784	-	500,784	-	500,784
Long-term liabilities:					
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,549,502</u>	<u>9,549,502</u>
Total Liabilities	<u>518,916</u>	<u>-</u>	<u>518,916</u>	<u>9,549,502</u>	<u>10,068,418</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	37,626	-	37,626	(37,626)	-
Restricted:					
Emergencies	19,801	-	19,801	(19,801)	-
Debt service	-	-	-	-	-
Capital projects	-	157,662	157,662	(157,662)	-
Unassigned	<u>128,703</u>	<u>-</u>	<u>128,703</u>	<u>(128,703)</u>	<u>-</u>
Total Fund Balances	<u>186,130</u>	<u>157,662</u>	<u>343,792</u>	<u>(343,792)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 705,046</u>	<u>\$ 157,662</u>	<u>\$ 862,708</u>		
Net Position:					
Net investment in capital assets				7,036,726	7,036,726
Restricted for:					
Emergencies				19,801	19,801
Capital projects				157,662	157,662
Unrestricted				<u>166,329</u>	<u>166,329</u>
Total Net Position				<u>\$ 7,380,518</u>	<u>\$ 7,380,518</u>

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

Powhatan Road Metropolitan District No. 1

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

For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	13,719	\$ 16,476	\$ 30,195	\$ (16,476)	\$ 13,719
Management fees	86,251	-	86,251	-	86,251
Insurance	18,889	-	18,889	-	18,889
Legal	15,074	60,795	75,869	(60,795)	15,074
Utilities	13,315	-	13,315	-	13,315
Capital Expenditures	-	3,108,271	3,108,271	(3,108,271)	-
Landscape maintenance	774	-	774	-	774
Miscellaneous expenses	105	-	105	-	105
Snow removal	11,275	-	11,275	-	11,275
Repay Property Owner advances - principal	-	185,289	185,289	(185,289)	-
Property Owner - interest	-	552,711	552,711	98,291	651,002
Total Expenditures	<u>159,402</u>	<u>3,923,542</u>	<u>4,082,944</u>	<u>(3,272,540)</u>	<u>810,404</u>
GENERAL REVENUES					
Transfer from Other Districts	294,983	669,000	963,983	-	963,983
Interest income	3,419	-	3,419	-	3,419
Total General Revenues	<u>298,402</u>	<u>669,000</u>	<u>967,402</u>	<u>-</u>	<u>967,402</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	139,000	(3,254,542)	(3,115,542)	3,272,540	156,998
OTHER FINANCING SOURCES (USES)					
Property Owner advances	-	3,095,571	3,095,571	(3,095,571)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,095,571</u>	<u>3,095,571</u>	<u>(3,095,571)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	139,000	(158,971)	(19,971)	19,971	
CHANGE IN NET POSITION					
				156,998	156,998
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	47,130	316,633	363,763	6,859,757	7,223,520
END OF YEAR	<u>\$ 186,130</u>	<u>\$ 157,662</u>	<u>\$ 343,792</u>	<u>\$ 7,036,726</u>	<u>\$ 7,380,518</u>

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

Powhatan Road Metropolitan District No. 1

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

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Transfer from District 2	\$ 297,570	\$ 294,983	\$ (2,587)
Interest income	<u>-</u>	<u>3,419</u>	<u>3,419</u>
Total Revenues	<u>297,570</u>	<u>298,402</u>	<u>832</u>
EXPENDITURES			
Accounting and audit	10,000	13,719	(3,719)
Management fees	-	86,251	(86,251)
Insurance	2,500	18,889	(16,389)
Legal	15,000	15,074	(74)
Maintenance and repairs	50,000	-	50,000
Landscape maintenance	50,000	774	49,226
Miscellaneous expenses	825	105	720
Snow removal	20,000	11,275	8,725
Utilities	50,000	13,315	36,685
Contingency	167,591	-	167,591
Emergency reserve	<u>5,950</u>	<u>-</u>	<u>5,950</u>
Total Expenditures	<u>371,866</u>	<u>159,402</u>	<u>212,464</u>
NET CHANGE IN FUND BALANCE	(74,296)	139,000	213,296
FUND BALANCE:			
BEGINNING OF YEAR	<u>74,296</u>	<u>47,130</u>	<u>(27,166)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 186,130</u>	<u>\$ 186,130</u>

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

Powhaton Road Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Powhaton Road Metropolitan District No. 1 (“District”), located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was initially organized as Sand Creek Ranch Metropolitan District No. 1 on February 23, 2004 as a quasi-municipal organization established under the State of Colorado Special District Act. On May 13, 2013 an order was recorded to change the name of the District from Sand Creek Ranch Metropolitan District No. 1 to Powhaton Road Metropolitan District No. 1. The District was organized in conjunction with Powhaton Road Metropolitan District No. 2 (formerly known as Sand Creek Ranch Metropolitan District No. 2) (“District No. 2”), Powhaton Road Metropolitan District No. 3 (formerly known as Sand Creek Ranch Metropolitan District No. 3) (“District No. 3”), Powhaton Road Metropolitan District No. 4 (formerly known as Starfall Metropolitan District No. 1) (“District No. 4”), Powhaton Road Metropolitan District No. 5 (formerly known as Starfall Metropolitan District No. 2) (“District No. 5”), Powhaton Road Metropolitan District No. 6 (formerly known as Trails at First Creek Metropolitan District No. 1) (“District No. 6”), and Powhaton Road Metropolitan District No. 7 (formerly known as Trails at First Creek Metropolitan District No. 2) (“District No. 7” and, together with the District, District No. 2, District No. 3, District No. 4, District No. 5, District No. 6 and District No. 7, the “Districts”) pursuant to an Amended and Restated Service Plan for the Districts approved by the City Council of the City of Aurora on July 22, 2013 (the “Service Plan”). The Districts were formed for the purpose of financing the construction of part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The District is governed by an elected Board of Directors. The District operates as the “coordinating district” pursuant to the District IGA and revenues will be generated by transfers from “financing districts”.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity.

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Notes to Financial Statements December 31, 2020

Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Powhaton Road Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

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

The District reports the following major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

Powhatan Road Metropolitan District No. 1

Notes to Financial Statements December 31, 2020

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

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2020.

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Notes to Financial Statements
December 31, 2020

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the general fund in the amount of \$37,626 relates to prepaid expenses.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$19,801 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$157,662 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

Assigned Fund Balance

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

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Notes to Financial Statements
December 31, 2020

Unassigned Fund Balance

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

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

Net Position

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

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

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

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

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

Note 2: Note 2: Cash and Investments

As of December 31, 2020, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 646,895
Cash and investments – Restricted	<u>177,463</u>
Total	<u>\$ 824,358</u>

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

Deposits with financial institutions	\$ 4,757
Investments – COLOTRUST	<u>819,601</u>
	<u>\$ 824,358</u>

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Notes to Financial Statements December 31, 2020

Deposits

Custodial Credit Risk

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

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

Investments

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

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

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Notes to Financial Statements
December 31, 2020

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$819,601 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

<u>Governmental Type Activities:</u>	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$13,400,686	\$ 3,185,542	\$ -	\$16,586,228
Total capital assets not being depreciated	<u>13,400,686</u>	<u>3,185,542</u>	<u>-</u>	<u>16,586,228</u>
Government type assets, net	<u>\$13,400,686</u>	<u>\$ 3,185,542</u>	<u>\$ -</u>	<u>\$16,586,228</u>

Upon completion and acceptance, all fixed assets except for park and recreation improvements will be conveyed by the District to other local governments. The District will not be responsible for maintenance of the items conveyed to other governments. During 2020, the District accepted additional improvements for maintenance, but the costs weren’t certified as required until 2021. These new improvements will be recorded in 2021.

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Notes to Financial Statements
December 31, 2020

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

Infrastructure Acquisition and Reimbursement Agreement

On February 16, 2017, the District entered into an Infrastructure Acquisition and Reimbursement Agreement (“Acquisition Agreement”) with the Melcor/TCAurora, LLC, (“Property Owner”). The Acquisition Agreement sets forth the procedures for the District’s acquisition of public infrastructure and reimbursement to the Property Owner for costs related to the provision of public infrastructure. The Property Owner agreed to either construct certain public improvements which would then be acquired by the District or initially fund the construction and installation of such improvements by the District. Per this agreement the District agreed to reimburse the Property Owner for the advances plus interest at 8% per annum. The balance at December 31, 2020 includes a principal amount of \$8,332,218 and interest of \$369,733.

Funding and Reimbursement Agreement

The District entered into a Funding and Reimbursement Agreement (Operations & Maintenance) dated as of February 16, 2017 with the Property Owner (the “Operations Funding Agreement”). Pursuant to the Operations Funding Agreement, the Property Owner agreed to make a loan to the District in an amount not to exceed \$300,000 (“Maximum Loan Amount”) during the years 2017, 2018 and 2019 for the purpose of funding general operating, administrative and maintenance costs of the Districts. The District acknowledged that the Property Owner made advances under prior agreements with the Districts in the amount of \$370,370 and to the District from 2014 through the date of the Operations Funding Agreement of \$49,088 (collectively, the “Prior Costs”). Pursuant to the Operations Funding Agreement, reimbursement for Prior Costs will be in accordance with the Operations Funding Agreement, except that any Prior Costs reimbursed will not be included in the calculation of the Maximum Loan Amount. Upon request of the Property Owner, the District has agreed to issue one or more reimbursement notes, bonds or other instruments (the “Reimbursement Obligations”) in an aggregate amount not to exceed the Maximum Loan Amount to evidence the District’s obligation to repay the funds loaned under the Operations Funding Agreement. Each loan advance will accrue simple interest at the rate of 8% per annum from the date any such advance is made until the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount. The term for repayment of this obligation is not to extend beyond 40 years from the date of the Operations Funding Agreement. The balance at December 31, 2020 includes a principal amount of \$490,507 and interest of \$357,044.

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December 31, 2020

Upon issuance of any such Reimbursement Obligation, unless otherwise consented to by the Property Owner, any interest accrued on any previously advanced amount will be added to the amount of the loan advance and reflected as principal of the Reimbursement Obligation and will thereafter accrue interest as provided in such Reimbursement Obligation. Under the Operations Funding Agreement, the District intends to repay advances (including the Prior Costs) from revenues of the District net of any debt service or current operations and maintenance costs of the District.

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
Property Owner- Capital	\$ 5,421,936	\$ 3,095,571	\$ 185,289	\$ 8,332,218	\$ -
Property Owner- Operations	490,507	-	-	490,507	-
Accrued interest - Capital	310,790	611,654	552,711	369,733	-
Accrued interest - Operations	317,696	39,348	-	357,044	-
Total	<u>\$ 6,540,929</u>	<u>\$ 3,746,573</u>	<u>\$ 738,000</u>	<u>\$ 9,549,502</u>	<u>\$ -</u>

Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$856,500,000. The District has not budgeted to issue new debt during 2021. Per the District's Service Plan, the Districts, can not issue aggregate debt in excess of \$200,000,000.

Note 5: District Agreements

District Coordinating Services IGA

The Districts entered in to a District Coordinating Services Agreement dated October 10, 2017 and made effective as of January 1, 2017 (the "District IGA") for the purpose of establishing their respective obligations with respect to 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 the Districts. Pursuant to the District IGA, the District will act as the "Coordinating District" and the other Districts, will act as "Financing Districts." Under the District IGA, the Coordinating District will perform the administrative services described in the District IGA on behalf of the Financing Districts and will own, operate and maintaining all Public Improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the City, the County or other public entity or owner's association. The Financing Districts are responsible for all costs, fees, charges and expenses incurred by the Coordinating District in providing its services. The District IGA sets forth procedures for developing annual budget setting forth costs associated with the administration, operation and maintenance services provided by the Coordinating District and the allocation of costs of such services among each Financing District.

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Notes to Financial Statements
December 31, 2020

The costs of such services may be funded by property taxes imposed by each Financing District within its respective boundary and by fees established from time to time by the Coordinating District. The District IGA provides that any Financing District may terminate the Acquisition Agreement as it relates to the provision of administrative services upon 90 days' written notice to the Coordinating District. Any Financing District may also terminate the District IGA as it relates to the provision of operations and maintenance services after it provides written notice to the other Districts and enters into a termination agreement approved by the other Districts which, among other required provisions, contains provisions relating to paying any outstanding obligations of the Coordinating District incurred prior to the proposed date of termination.

Note 6: Tax, Spending and Debt Limitations

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

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 the District 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.

In November 2003 and November 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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Notes to Financial Statements
December 31, 2020

Note 7: Risk Management

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

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

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not reported in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report Property Owner advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

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Notes to Financial Statements
December 31, 2020

Note 9: Subsequent Event

Subsequent to year end the Districts, together with Powhatan Road Metropolitan District Nos. 8-11 (f/k/a Sun Meadows Metropolitan District Nos. 1-4) (together with the “Districts” the “Powhatan Districts”) approved the Agreement Establishing the Powhatan Community Authority (“Establishment Agreement”) whereby the Powhatan Districts created the “Powhatan Community Authority” (“Authority”). The Authority was organized to incur financial obligations on behalf of the Powhatan Districts and to provide any services permitted by the Service Plans for the Powhatan Districts. On April 14, 2021, the Powhatan Districts and the Authority also approved the “Operating Agreement”. The Operating Agreement, consistent with the Establishment Agreement, establishes the procedures by which the Authority will undertake the ownership, operation, maintenance and repair of public improvements, ongoing covenant enforcement, design review and maintenance services, as well as certain administrative services on behalf of all of the Powhatan Districts. As a result, the Districts anticipate terminating the District Coordinating Services IGA and the District will no longer serve as the coordinating district.

SUPPLEMENTAL INFORMATION

Powhaton Road Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Transfer from Other Districts	\$ 420,000	\$ 669,000	\$ 249,000
Total Revenues	<u>420,000</u>	<u>669,000</u>	<u>249,000</u>
EXPENDITURES			
Accounting and audit	-	16,476	(16,476)
Legal	-	60,795	(60,795)
Capital Expenditures	17,420,000	3,108,271	14,311,729
Repay Property Owner advances - principal	-	185,289	(185,289)
Property Owner - interest	-	552,711	(552,711)
Total Expenditures	<u>17,420,000</u>	<u>3,923,542</u>	<u>13,496,458</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(17,000,000)</u>	<u>(3,254,542)</u>	<u>13,745,458</u>
OTHER FINANCING SOURCES			
Property Owner advances	<u>17,000,000</u>	<u>3,095,571</u>	<u>(13,904,429)</u>
Total Other Financing Sources	<u>17,000,000</u>	<u>3,095,571</u>	<u>(13,904,429)</u>
NET CHANGE IN FUND BALANCE	-	(158,971)	(158,971)
FUND BALANCE:			
BEGINNING OF YEAR	-	316,633	316,633
END OF YEAR	<u>\$ -</u>	<u>\$ 157,662</u>	<u>\$ 157,662</u>

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