

POMPONIO TERRACE METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pomponio Terrace Metropolitan District
Adams County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pomponio Terrace Metropolitan District (the District) as of and for the year ended December 31, 2021, 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 each major fund of the District, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that 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 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related 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 26, 2022
Wheat Ridge, Colorado

Pomponio Terrace Metropolitan District

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS						
Cash and investments	\$ 21,252	\$ -	\$ -	\$ 21,252	\$ -	\$ 21,252
Cash and investments - restricted	4,883	511,262	22,479	538,624	-	538,624
Receivable - County Treasurer	190	930	-	1,120	-	1,120
Property taxes receivable	41,199	258,449	-	299,648	-	299,648
Assessments receivable	2,114	-	-	2,114	-	2,114
Prepaid expenses	4,432	3,500	-	7,932	-	7,932
Capital assets not being depreciated	-	-	-	-	6,880,783	6,880,783
Total Assets	<u>\$ 74,070</u>	<u>\$ 774,141</u>	<u>\$ 22,479</u>	<u>\$ 870,690</u>	<u>6,880,783</u>	<u>7,751,473</u>
LIABILITIES						
Accounts payable	\$ 7,506	\$ -	\$ -	\$ 7,506	-	7,506
Prepaid assessments	2,515	-	-	2,515	-	2,515
Accrued interest	-	-	-	-	193,086	193,086
Long-term liabilities:						
Due in more than one year	-	-	-	-	8,621,706	8,621,706
Total Liabilities	<u>10,021</u>	<u>-</u>	<u>-</u>	<u>10,021</u>	<u>8,814,792</u>	<u>8,824,813</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>41,199</u>	<u>258,449</u>	<u>-</u>	<u>299,648</u>	<u>-</u>	<u>299,648</u>
Total Deferred Inflows of Resources	<u>41,199</u>	<u>258,449</u>	<u>-</u>	<u>299,648</u>	<u>-</u>	<u>299,648</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Nonspendable:						
Prepays	4,432	3,500	-	7,932	(7,932)	-
Restricted:						
Emergencies	4,883	-	-	4,883	(4,883)	-
Debt service	-	512,192	-	512,192	(512,192)	-
Capital projects	-	-	22,479	22,479	(22,479)	-
Unassigned	<u>13,535</u>	<u>-</u>	<u>-</u>	<u>13,535</u>	<u>(13,535)</u>	<u>-</u>
Total Fund Balances	<u>22,850</u>	<u>515,692</u>	<u>22,479</u>	<u>561,021</u>	<u>(561,021)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 74,070</u>	<u>\$ 774,141</u>	<u>\$ 22,479</u>	<u>\$ 870,690</u>		
Net Position:						
Restricted for:						
Emergencies					4,883	4,883
Debt service					319,106	319,106
Capital projects					22,479	22,479
Unrestricted					<u>(1,719,456)</u>	<u>(1,719,456)</u>
Total Net Position					<u>\$ (1,372,988)</u>	<u>\$ (1,372,988)</u>

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

Pomponio Terrace Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 12,732	\$ -	\$ -	\$ 12,732	\$ -	\$ 12,732
Insurance	4,869	-	-	4,869	-	4,869
Legal	16,662	-	-	16,662	-	16,662
Management fees	18,425	-	-	18,425	-	18,425
Miscellaneous expenses	504	-	-	504	-	504
Utilities	13,568	-	-	13,568	-	13,568
Trash removal	10,836	-	-	10,836	-	10,836
Snow removal	3,950	-	-	3,950	-	3,950
Landscape maintenance	32,769	-	-	32,769	-	32,769
Irrigation repair	2,055	-	-	2,055	-	2,055
Landscape enhancements	43,452	-	-	43,452	-	43,452
Treasurer's fees	609	2,980	-	3,589	-	3,589
Bond interest expense	-	291,250	-	291,250	68,283	359,533
Trustee fees	-	7,000	-	7,000	-	7,000
Interest on developer advances	-	-	-	-	128,003	128,003
Total Expenditures	<u>160,431</u>	<u>301,230</u>	<u>-</u>	<u>461,661</u>	<u>196,286</u>	<u>657,947</u>
PROGRAM REVENUES						
Homeowner assessments and fees	<u>97,839</u>	<u>-</u>	<u>-</u>	<u>97,839</u>	<u>-</u>	<u>97,839</u>
Total Program Revenues	<u>97,839</u>	<u>-</u>	<u>-</u>	<u>97,839</u>	<u>-</u>	<u>97,839</u>
Net Program Income (Expenses)	(62,592)	(301,230)	-	(363,822)	(196,286)	(560,108)
GENERAL REVENUES						
Property taxes	40,530	198,477	-	239,007	-	239,007
Specific ownership taxes	2,543	12,451	-	14,994	-	14,994
Interest income	<u>34</u>	<u>405</u>	<u>-</u>	<u>439</u>	<u>-</u>	<u>439</u>
Total General Revenues	<u>43,107</u>	<u>211,333</u>	<u>-</u>	<u>254,440</u>	<u>-</u>	<u>254,440</u>
NET CHANGES IN FUND BALANCES	(19,485)	(89,897)	-	(109,382)	109,382	
CHANGE IN NET POSITION					(305,668)	(305,668)
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR	<u>42,335</u>	<u>605,589</u>	<u>22,479</u>	<u>670,403</u>	<u>(1,737,723)</u>	<u>(1,067,320)</u>
END OF YEAR	<u>\$ 22,850</u>	<u>\$ 515,692</u>	<u>22,479</u>	<u>\$ 561,021</u>	<u>\$ (1,934,009)</u>	<u>\$ (1,372,988)</u>

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

Pomponio Terrace Metropolitan District

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

For the Year Ended December 31, 2021

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$ 40,797	\$ 40,530	\$ (267)
Specific ownership taxes	3,271	2,543	(728)
Interest income	500	34	(466)
Homeowner assessments and fees	<u>81,620</u>	<u>97,839</u>	<u>16,219</u>
Total Revenues	<u>126,188</u>	<u>140,946</u>	<u>14,758</u>
EXPENDITURES			
Accounting and audit	15,000	12,732	2,268
Insurance	3,492	4,869	(1,377)
Legal	25,000	16,662	8,338
Management fees	15,600	18,425	(2,825)
Miscellaneous expenses	1,000	504	496
Design review expenses	2,300	-	2,300
Repairs and maintenance	2,950	-	2,950
Utilities	18,000	13,568	4,432
Trash removal	11,000	10,836	164
Snow removal	20,000	3,950	16,050
Landscape maintenance	55,000	32,769	22,231
Water and sewer maintenance	12,000	-	12,000
Irrigation repair	4,950	2,055	2,895
Landscape enhancements	-	43,452	(43,452)
Pest control	1,000	-	1,000
General administration	2,500	-	2,500
Treasurer's fees	612	609	3
Contingency	4,690	-	4,690
Emergency reserve	<u>5,712</u>	<u>-</u>	<u>5,712</u>
Total Expenditures	<u>200,806</u>	<u>160,431</u>	<u>40,375</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(74,618)	(19,485)	55,133
OTHER FINANCING SOURCES (USES)			
Developer advances	<u>58,380</u>	<u>-</u>	<u>(58,380)</u>
Total Other Financing Sources (Uses)	<u>58,380</u>	<u>-</u>	<u>(58,380)</u>
NET CHANGE IN FUND BALANCE	(16,238)	(19,485)	(3,247)
FUND BALANCE:			
BEGINNING OF YEAR	<u>16,238</u>	<u>42,335</u>	<u>26,097</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 22,850</u>	<u>\$ 22,850</u>

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

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

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

Definition of Reporting Entity

The District was organized on December 7, 2016, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District operate pursuant to a service plan approved by Adams County (the “County”) on April 26, 2016 (the “Service Plan”) and amended on December 11, 2018. The District was established to provide for the construction and completion of a part or all of the public improvements for the use and benefit of the residents and property owners within the service area. The District is responsible for operating and maintaining park and recreation improvements and is also required to undertake the operations and maintenance responsibilities for the public improvements that are not conveyed to the County or other governmental entities. The primary revenues of the District are property taxes and homeowner fees. The District is governed by an elected Board of Directors.

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

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

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

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

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

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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. The District amended the total appropriations in the Debt Service Fund from \$300,247 to \$301,230 as a result of increased trustee fees.

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, 2021, 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 District are reported at fair value.

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

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no 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 has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Original Issue Premium

Original issue premium” from the Series 2019A Bonds are being amortized over the term of the bonds using the interest method. Accumulated amortization amounted to \$6,193 at December 31, 2021.

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.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

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 balance at December 31, 2021 represents prepaid insurance and trustee fees.

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 \$4,883 of the General Fund balance has been reserved in compliance with this requirement.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The restricted fund balance in the Debt Service Fund in the amount of \$512,192 is restricted for the payment of the debt service costs associated with the Series 2019 Bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$22,479 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.

Unassigned Fund Balance

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

Net Position

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

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

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 2: Cash

As of December 31, 2021, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 21,252
Cash and investments - restricted	<u>538,624</u>
Total	<u>\$ 559,876</u>

Cash and cash equivalents as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 83,879
C-Safe	7,546
COLOTRUST	<u>468,451</u>
Total	<u>\$ 559,876</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured 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. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which records their investments at amortized cost. The District's investment in COLOTRUST is 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.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

As of December 31, 2021, 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, 2021, the District had \$468,451 invested in COLOTRUST.

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust ("CSAFE"), is rated AAAM by Standard and Poor's with a weighted average maturity of under 60 days. CSAFE 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.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to custodian agreements. 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 custodians' internal records identify the investments owned by CSAFE. At December 31, 2021, the District had \$7,546 invested in CSAFE.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 6,880,783	\$ -	\$ -	\$ 6,880,783
Total capital assets not being depreciated	6,880,783	-	-	6,880,783
Government type assets, net	<u>\$ 6,880,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,880,783</u>

The District is authorized to operate and maintain District Improvements that are not conveyed to other local governments including, but not limited to, public rights of way, parking decks and landscaping or other amenities of the Project.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

\$5,825,000 Limited Tax General Obligation Bonds, Series 2019A and \$816,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B

On June 27, 2019, the District issued \$5,825,000 Limited Tax General Obligation Bonds, Series 2019A ("Series 2019A Bonds") and \$816,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B ("Series 2019B Bonds") (collectively "Series 2019 Bonds") for the purpose of financing or reimbursing the cost of public improvements, paying the cost of issuance of the Bonds, and, with respect to the Series 2019A Bonds only, funding the Senior Reserve Fund and funding a portion of interest to accrue on the Series 2019A Bonds. The Series 2019A Bonds bear interest at the rate of 5.000%, payable semiannually on each June 1 and December 1, commencing on December 1, 2019. The Series 2019B Bonds bear interest at the rate of 7.75%, payable annually on December 15, commencing on December 15, 2019, to the extent that Pledged Revenue is available.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The Series 2019A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2023 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on June 1, 2024, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2019B Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on June 1, 2024, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2019A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, and any other legally available moneys as determined by the District. The Series 2019A Bonds are also secured by the Senior Reserve Fund. The Series 2019B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, the amounts, if any, in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture and any other legally available moneys as determined by the District.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2019A Bonds.

	Principal	Interest	Total
2022	-	291,250	291,250
2023	35,000	291,250	326,250
2024	70,000	289,500	359,500
2025	70,000	286,000	356,000
2026	85,000	282,500	367,500
2027-2031	525,000	1,343,000	1,868,000
2032-2036	780,000	1,187,750	1,967,750
2037-2041	1,110,000	961,500	2,071,500
2042-2046	1,530,000	644,250	2,174,250
2047-2049	1,620,000	187,000	1,807,000
	<u>\$ 5,825,000</u>	<u>\$ 5,764,000</u>	<u>\$ 11,589,000</u>

Because of the uncertainty of the timing of the principal and interest payment on the Series 2019B Bonds, no schedule of principal and interest payments is presented.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Events of Default as defined in the Series 2019 Bonds indenture are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2019 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2019 Bonds is not an available remedy for an Event of Default.

The following is an analysis of changes in long-term debt for the period ending December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
General Obligation Debt					
Series 2019A Bonds	\$5,825,000	\$ -	\$ -	\$ 5,825,000	\$ -
Series 2019B Bonds	816,000	-	-	816,000	-
Other Debt					
Developer advance - capital	1,540,395	-	-	1,540,395	-
Developer advance interest - capital	186,704	123,232	-	309,936	-
Developer advance - operations	59,648	-	-	59,648	-
Developer advance interest - operations	15,472	4,772	-	20,244	-
Total	8,443,219	128,003	-	8,571,222	-
Bond Premium	53,035	-	2,551	50,484	-
Total	<u>\$8,496,254</u>	<u>\$ 128,003</u>	<u>\$ 2,551</u>	<u>\$ 8,621,706</u>	<u>\$ -</u>

Debt Authorization

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed \$90,000,000. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$10,000,000. As of December 31, 2021, the District had \$3,359,000 remaining authority under the Service Plan.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 5: Other Agreements

Infrastructure Acquisition and Reimbursement Agreement

The District and the Pomponio Terrace Holdings, LLC, a Colorado limited liability company (the “Developer”) entered into an Infrastructure Acquisition and Reimbursement Agreement dated December 12, 2016. In the Acquisition and Reimbursement Agreement, it is acknowledged that the Developer has incurred certain costs related to the public infrastructure for the benefit of the District, and may incur additional costs related thereto, on the condition that the District agrees to: (i) reimburse the Developer for all “District Eligible Costs” (meaning any and all costs of any kind related to the provision of the Public Improvements that may be lawfully funded by the District under the Special District Act and the Service Plan) to the extent constituting “Repayment Obligations” as defined below; (ii) acquire any such Public Improvements (defined generally therein as public infrastructure, improvements and services, within and without its boundaries constructed for the benefit of the District) from the Developer that are not being dedicated to other governmental entities, and to pay all reasonable costs related thereto; and (iii) reimburse the Developer for any costs incurred by the Developer for Public Improvements that are being dedicated to third parties.

The Acquisition and Reimbursement Agreement outlines the certification and acceptance procedure the District undertakes to accept costs for reimbursement. The District is to be deemed to have incurred an obligation to reimburse the Developer for District Eligible Costs (the “Repayment Obligation”) upon the advance of funds to or on behalf of the District or when the District has acquired the Public Improvements. Repayment Obligations are to bear simple interest at a rate of 8% per annum from the date any Repayment Obligation is incurred to the earlier of the date any loan, reimbursement note, bond or other instrument payable to or at the direction of the Developer (“Reimbursement Obligation”) is issued or the date of payment of such amount in full. The balance due under this agreement is \$1,850,331, including \$1,540,395 of principal and \$309,936 in interest.

Funding and Reimbursement Agreement

The District and the Developer entered into a Funding and Reimbursement Agreement on December 12, 2016. Pursuant to the Funding and Reimbursement Agreement, the Developer agrees to advance funds to the District for certain operation and maintenance expenses on a periodic basis, as needed, for years 2016 through 2020. The District agrees to repay these advances, together with accrued interest at the rate of 8% per annum. The balance due under this agreement is \$79,892, including \$59,648 of principal and \$20,244 in interest.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Amended and Restated Resolution Concerning the Imposition of District Fees

Pursuant to an Amended and Restated Resolution Concerning the Imposition of District Fees , dated October 11, 2018 (the “Fee Resolution”), the Board of Directors approved the imposition of a monthly operations fee, a single-family alley loaded maintenance fee and a townhome maintenance fee against properties within the District. The operations fee was set at \$55 per month \$15 per month for the single-family alley loaded maintenance fee and \$45 per month for the townhome maintenance fee. The fees are due on the first day of each month and may increase in the future.

Note 6: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: Tax, Spending and Debt Limitations

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

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.

On November 8, 2016, 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.

POMPONIO TERRACE METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("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 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government 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, developer advances payable and accrued interest on bonds and developer advances are not due and payable in the current period and, therefore, are not 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 progress 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 in the statement of activities; and,
- 3) governmental funds report developer advances and/or bond proceeds as revenue and report interest paid as expenditures; however, these are reported as changes to long-term liabilities on the government-wide financial statements.

SUPPLEMENTAL INFORMATION

Pomponio Terrace Metropolitan District

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

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 199,781	\$ 199,781	\$ 198,477	\$ (1,304)
Specific ownership taxes	15,982	15,982	12,451	(3,531)
Interest income	<u>-</u>	<u>-</u>	<u>405</u>	<u>405</u>
Total Revenues	<u>215,763</u>	<u>215,763</u>	<u>211,333</u>	<u>(4,430)</u>
EXPENDITURES				
Bond interest expense	291,250	291,250	291,250	-
Trustee fees	6,000	7,000	7,000	-
Treasurer's fees	<u>2,997</u>	<u>2,980</u>	<u>2,980</u>	<u>-</u>
Total Expenditures	<u>300,247</u>	<u>301,230</u>	<u>301,230</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(84,484)	(85,467)	(89,897)	(4,430)
FUND BALANCE:				
BEGINNING OF YEAR	<u>610,032</u>	<u>605,589</u>	<u>605,589</u>	<u>-</u>
END OF YEAR	<u>\$ 525,548</u>	<u>\$ 520,122</u>	<u>\$ 515,692</u>	<u>\$ (4,430)</u>

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

Pomponio Terrace Metropolitan District

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Capital expenditures	<u>22,479</u>	-	<u>22,479</u>
Total Expenditures	<u>22,479</u>	-	<u>22,479</u>
NET CHANGE IN FUND BALANCE	(22,479)	-	22,479
FUND BALANCE:			
BEGINNING OF YEAR	<u>22,479</u>	<u>22,479</u>	-
END OF YEAR	<u>\$ -</u>	<u>\$ 22,479</u>	<u>\$ 22,479</u>

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

Pomponio Terrace Metropolitan District

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2020

(Unaudited)

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property				Total Property Tax		Percent Collected to Levied
	<u>Tax Levy</u>	<u>Mills Levied</u>		<u>Levied</u>	<u>Collected</u>		
		<u>Fund</u>	<u>Debt Service</u>				
2018	\$ 1,624,720	50.000	0.000	\$ 81,236	\$ 81,236	100.00%	
2019	\$ 2,169,920	50.000	0.000	\$ 108,496	\$ 108,495	100.00%	
2020	\$ 3,446,620	11.722	40.452	\$ 179,824	\$ 172,531	95.94%	
2021	\$ 4,469,380	9.128	44.700	\$ 240,578	\$ 239,007	99.35%	
Estimated for year ending December 31, 2022	\$ 5,469,130	7.532	47.256	\$ 299,648			

NOTE

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