

PRONGHORN VALLEY METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

C O N T E N T S

	<u>Page</u>
<u>Independent Auditor's Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position - Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Debt Service Fund	19
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Capital Projects Fund	20
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	21



Independent Auditor's Report

Board of Directors
Pronghorn Valley Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pronghorn Valley 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 Pronghorn Valley Metropolitan District as of December 31, 2021, and the respective changes in financial position and the respective 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the 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 opinions.

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 opinions. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pronghorn Valley Metropolitan District's basic financial statements. The supplemental information as listed in the table of contents is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
March 2, 2023

PRONGHORN VALLEY 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 Net Position
ASSETS						
Cash and investments	\$ 24,402	\$ -	\$ -	\$ 24,402	\$ -	\$ 24,402
Cash and investments - restricted	1,654	3,606,039	14,017,987	17,625,680	-	17,625,680
Taxes due from County	63	319	-	382	-	382
Accounts receivable - developer	2,819	-	-	2,819	(2,819)	-
Prepaid expenses	2,069	-	-	2,069	-	2,069
Property taxes receivable	18,975	105,889	-	124,864	-	124,864
Capital assets not being depreciated	-	-	-	-	1,983,128	1,983,128
Total Assets	<u>\$ 49,982</u>	<u>\$ 3,712,247</u>	<u>\$14,017,987</u>	<u>\$17,780,216</u>	<u>1,980,309</u>	<u>19,760,525</u>
LIABILITIES						
Accounts payable	\$ 31,007	\$ 85	\$ -	\$ 31,092	-	31,092
Accrued interest on bonds	-	-	-	-	104,506	104,506
Long-term liabilities:						
Due in more than one year	-	-	-	-	20,471,383	20,471,383
Total Liabilities	<u>31,007</u>	<u>85</u>	<u>-</u>	<u>31,092</u>	<u>20,575,889</u>	<u>20,606,981</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>18,975</u>	<u>105,889</u>	<u>-</u>	<u>124,864</u>	<u>-</u>	<u>124,864</u>
Total Deferred Inflows of Resources	<u>18,975</u>	<u>105,889</u>	<u>-</u>	<u>124,864</u>	<u>-</u>	<u>124,864</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Prepays	2,069	-	-	2,069	(2,069)	-
Restricted:						
Emergencies	1,654	-	-	1,654	(1,654)	-
Debt service	-	3,606,273	-	3,606,273	(3,606,273)	-
Capital	-	-	14,017,987	14,017,987	(14,017,987)	-
Unassigned	<u>(3,723)</u>	<u>-</u>	<u>-</u>	<u>(3,723)</u>	<u>3,723</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>3,606,273</u>	<u>14,017,987</u>	<u>17,624,260</u>	<u>(17,624,260)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 49,982</u>	<u>\$ 3,712,247</u>	<u>\$14,017,987</u>	<u>\$17,780,216</u>		
Net Position:						
Restricted for:						
Emergencies					1,654	1,654
Debt service					3,606,273	3,606,273
Capital projects					14,017,987	14,017,987
Unrestricted					<u>(18,597,234)</u>	<u>(18,597,234)</u>
Total Net Position (Deficit)					<u>\$ (971,320)</u>	<u>\$ (971,320)</u>

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

PRONGHORN VALLEY 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 Project</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES						
Accounting	\$ 7,834	\$ -	\$ -	\$ 7,834	\$ -	\$ 7,834
Insurance	2,369	-	-	2,369	-	2,369
Legal	8,106	-	-	8,106	-	8,106
Director's fees	739	-	-	739	-	739
Miscellaneous	120	-	-	120	-	120
Treasurer fees	168	857	-	1,025	-	1,025
Bond interest	-	224,510	-	224,510	104,506	329,016
Regional mill levy	-	1,180	-	1,180	-	1,180
Capital improvements	-	-	1,983,128	1,983,128	(1,983,128)	-
Cost of issuance	-	-	701,920	701,920	-	701,920
Repay developer principal	-	-	28,553	28,553	(28,553)	-
Repay developer interest	-	-	6,160	6,160	(6,160)	-
Interest on developer advances - operations	-	-	-	-	1,436	1,436
Interest on developer advances - capital	-	-	-	-	1,397	1,397
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>19,336</u>	<u>226,547</u>	<u>2,719,761</u>	<u>2,965,644</u>	<u>(1,910,502)</u>	<u>1,055,142</u>
GENERAL REVENUES						
Property taxes	11,131	56,768	-	67,899	-	67,899
Specific ownership taxes	767	3,913	-	4,680	-	4,680
Miscellaneous income	81	-	-	81	-	81
Interest income	-	708	1,339	2,047	-	2,047
	<u>-</u>	<u>708</u>	<u>1,339</u>	<u>2,047</u>	<u>-</u>	<u>2,047</u>
Total General Revenues	<u>11,979</u>	<u>61,389</u>	<u>1,339</u>	<u>74,707</u>	<u>-</u>	<u>74,707</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,357)	(165,158)	(2,718,422)	(2,890,937)	1,910,502	(980,435)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	20,449,000	20,449,000	(20,449,000)	-
Developer advances	2,819	-	-	2,819	(2,819)	-
Transfers (to)/from other funds	-	3,712,591	(3,712,591)	-	-	-
	<u>-</u>	<u>3,712,591</u>	<u>(3,712,591)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,819</u>	<u>3,712,591</u>	<u>16,736,409</u>	<u>20,451,819</u>	<u>(20,451,819)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(4,538)	3,547,433	14,017,987	17,560,882	(17,560,882)	
CHANGES IN NET POSITION					(980,435)	(980,435)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<u>4,538</u>	<u>58,840</u>	<u>-</u>	<u>63,378</u>	<u>(54,263)</u>	<u>9,115</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 3,606,273</u>	<u>\$ 14,017,987</u>	<u>\$ 17,624,260</u>	<u>\$ (18,595,580)</u>	<u>\$ (971,320)</u>

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

PRONGHORN VALLEY 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 <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 11,131	\$ 11,131	\$ -
Specific ownership taxes	668	767	99
Miscellaneous income	<u>-</u>	<u>81</u>	<u>81</u>
Total Revenues	<u>11,799</u>	<u>11,979</u>	<u>180</u>
EXPENDITURES			
Accounting	15,000	7,834	7,166
Insurance	3,000	2,369	631
Legal	20,000	8,106	11,894
Director's fees	400	739	(339)
Payroll expense	30	-	30
Dues and memberships	500	-	500
Operations and maintenance	5,200	-	5,200
Miscellaneous	1,000	120	880
Treasurer fees	167	168	(1)
Emergency Reserve	<u>1,354</u>	<u>-</u>	<u>1,354</u>
Total Expenditures	<u>46,651</u>	<u>19,336</u>	<u>27,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(34,852)	(7,357)	27,495
OTHER FINANCING SOURCES			
Developer advances	<u>34,852</u>	<u>2,819</u>	<u>(32,033)</u>
Total Other Financing Sources	<u>34,852</u>	<u>2,819</u>	<u>(32,033)</u>
NET CHANGE IN FUND BALANCE			
	-	(4,538)	(4,538)
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>4,538</u>	<u>4,538</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Pronghorn Valley Metropolitan 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

Pronghorn Valley Metropolitan District (the “District”) was organized in accordance with a Service Plan dated July 24, 2017, and was established to provide for the design, acquisition, completion, construction, installation, and operation and maintenance of the following improvements and services: water, sanitary sewer, storm drainage, streets, parks and recreation, safety protection, television relay and transmission facilities, transportation, mosquito control and covenant enforcement services for the District and its inhabitants, taxpayers, property owners and users. The District's primary source of revenues is property taxes. 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.

Basis of Presentation

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

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

PRONGHORN VALLEY 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 all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt 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.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

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

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 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 type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 acquisition 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 capital 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.

PRONGHORN VALLEY 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 nonspendable fund balance in the General Fund in the amount of \$2,069 represents prepaid expenditures.

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 \$1,654 of the General Fund balance has been reserved in compliance with this requirement.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The restricted fund balance in the Debt Service Fund in the amount of \$3,606,273 is restricted for the payment of the debt service costs (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$14,017,987 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.

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 of 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.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 24,402
Cash and investments - restricted	<u>17,625,680</u>
Total	\$ <u>17,650,082</u>

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

Deposits with financial institutions	\$ 77,635
Investments - COLOTRUST	<u>17,572,447</u>
	\$ <u>17,650,082</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

Credit Risk

The District has elected to follow state statutes for 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.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

Investment Valuation

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 investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

As of December 31, 2021, the District had the following investments:

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 venture 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 Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. At December 31, 2021, the District had \$17,572,447 invested in COLOTRUST PLUS+.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 3: Capital Assets

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

Governmental Type Activities:	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 1,983,128	\$ -	\$ 1,983,128

Note 4: Long-Term Debt

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

	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021	Current Portion
<u>General Obligation Bonds:</u>					
Series 2021A	\$ -	\$ 18,925,000	\$ -	\$ 18,925,000	\$ -
Series 2021B	-	1,524,000	-	1,524,000	-
	-	20,449,000	-	20,449,000	-
<u>Other:</u>					
Developer advances - Operating					
Principal	18,000	-	-	18,000	-
Accrued Interest	2,947	1,436	-	4,383	-
Developer advances - Organization					
Principal	28,553	-	28,553	-	-
Accrued Interest	4,763	1,397.00	6,160	-	-
	54,263	2,833	34,713	22,383	-
	\$ 54,263	\$ 20,451,833	\$ 34,713	\$ 20,471,383	\$ -

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

\$18,925,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2021A and \$1,524,000 Subordinate Limited Tax General Obligation Bonds, Series 2021B

On August 12, 2021, the District issued \$18,925,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2021A ("Series 2021A Bonds") and \$1,524,000 Subordinate Limited Tax General Obligation Bonds, Series 2021B ("Series 2021B Bonds"), (collectively "the Series 2021 Bonds"). Proceeds from the Series 2021A Bonds were used to finance public improvements, fund capitalized interest on the Series 2021A Bonds, fund the Initial Deposit to the Reserve Fund, and pay for the costs of issuance of the Series 2021A Bonds. Proceeds of the 2021B Bonds were used to finance public improvements.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The Series 2021A Bonds consist of \$6,200,000 in Term Bonds which bear interest at 3.750% and mature on December 1, 2041, and \$12,725,000 in Term Bonds which bear interest at 4.000% and mature on December 1, 2051. Interest is payable semiannually on June 1 and December 1, commencing on December 1, 2021. The Series 2021A Bonds are subject to early redemption at the option of the District commencing September 1, 2026, with a redemption premium until September 1, 2029. The 2021A Bonds are limited tax (convertible to unlimited tax) general obligations bonds of the District secured by and payable from Senior Pledged Revenue which includes all Senior Property Tax Revenue, all Senior Specific Ownership Tax Revenues and all Senior PILOT Revenues.

The Series 2021B Bonds bear interest at 7.250%, mature on December 15, 2051, and are secured by and payable from the Subordinate Pledged Revenue which includes all Subordinate Property Tax Revenues, all Subordinate Specific Owner Tax Revenues, all Subordinate PILOT Revenues, and any amounts in the Senior Surplus Fund upon the termination of such fund. The Series 2021B Bonds are cash flow bonds with annual payments payable each December 15 from the available Subordinate Pledged Revenue. The Series 2021B Bonds are subject to early redemption at the option of the District commencing September 1, 2026, with a redemption premium until September 1, 2029.

Events of Default as defined in the Series 2021A Bond Indenture are 1) the failure of the District, prior to the Unlimited Tax Receipt Date, to impose the Senior Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) failure by the District, on and after the Unlimited Tax Receipt Date, to pay the principal of, premium if any, or interest on the Series 2021A Senior Bonds when due, 3) 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 4) 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 2021A 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 2021A Bonds is not an available remedy for an Event of Default.

Events of Default as defined in the Series 2021B Bond Indenture are 1) the failure of the District, to impose the Subordinate Required Mill levy, or to apply the Subordinate 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 Subordinate Indenture or the Subordinate 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 2021B 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 2021B Bonds is not an available remedy for an Event of Default.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The following is a summary of the annual long-term debt principal and interest requirements of the Series 2021A Bonds.

	Principal	Interest	Total
2022	\$ -	\$ 741,500	\$ 741,500
2023	-	741,500	741,500
2024	-	741,500	741,500
2025	-	741,500	741,500
2026	110,000	741,500	851,500
2027-2031	1,055,000	3,619,187	4,674,187
2032-2036	1,955,000	3,357,813	5,312,813
2037-2041	3,080,000	2,910,813	5,990,813
2042-2046	4,630,000	2,203,000	6,833,000
2047-2051	8,095,000	1,126,800	9,221,800
	<u>\$18,925,000</u>	<u>\$16,925,113</u>	<u>\$ 35,850,113</u>

Because of the uncertainty of timing of payments under the Series 2021B Bonds, no related schedule of expected principal and interest payments is presented.

Infrastructure Acquisition Agreement

On August 22, 2019, the District and Gun Club Group Partners entered into an Infrastructure Acquisition Agreement (the “IAA”). On November 21, 2019, Gun Club Group Partners, with the District’s consent, assigned its rights under the IAA to GC Aurora LLC (“the Developer”). The IAA states that the Developer intends to finance, construct, or cause to be constructed, acquire and install certain public improvements within the District and that the District anticipates the issuance of bonds in order to finance such public improvements. The IAA established the terms and conditions upon which the District expects to pay to acquire public improvements and reimburse the Developer for their construction. The reimbursement obligation under this agreement will bear interest of 5%. There were no amounts due under this agreement at December 31, 2021.

Advance and Reimbursement Agreement

On November 30, 2018, the District entered into an Advance and Reimbursement Agreement for Operations and Maintenance expenses (“O&M Agreement”) with South Aurora Property Investors, LLC (“South Aurora”) which is part owner of the Developer. Pursuant to the O&M Agreement, the District acknowledges that the advance of funds to the District for its operations, maintenance and administrative costs associated with the provision of public improvements is necessary and consistent with the purpose of the District. The District agrees to fully reimburse South Aurora for organizational costs already paid by South Aurora as well as advances made under the O&M Agreement with interest at 8%. As of December 31, 2021 \$22,383 is owing under this agreement.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Debt Authorization

On November 7, 2017, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$2,096,000,000. After the issuance of the 2021 Bonds, the remaining authorization is \$2,075,551,000. Per the District's Service Plan, the District cannot issue debt in excess of \$80,000,000. \$59,551,000 of the Service Plan authorization remains as of December 31, 2021.

Note 5: Other Agreements

Intergovernmental Agreement

On July 24, 2017, the District and the City of Aurora ("the City") entered into an Intergovernmental Agreement ("City IGA") as required by the Service Plan under which the District covenants to dedicate all public improvements to the City or other appropriate jurisdiction, and covenants that all improvements will be constructed in compliance with the City's standards and specifications. The City IGA further states that the District is not authorized to operate and maintain improvements, other than park and recreation improvements, unless otherwise agreed to by the City. The District is authorized, but not obligated, to operate and maintain parks and recreation improvements without entering into another intergovernmental agreement, subject to restrictions on related fees imposed by the District. The City IGA repeats many of the terms of the Service Plan, including those pertaining to debt limitations, the ability to issue privately placed debt and the imposition and use of the ARI Mill Levy.

ARI Agreement

On July 10, 2017, the District entered into the South Aurora Regional Improvement Authority ("SARIA") Establishment Agreement, ("SARIA IGA") concurrently with Beacon Point Metropolitan District, High Plains Metropolitan District, Forest Trace Metropolitan District No. 1, Forest Trace Metropolitan District No. 2, Forest Trace Metropolitan District No. 2, Sorrell Ranch Metropolitan District, Southlands Metropolitan District No. 2, Wheatlands Metropolitan District, Kings Point South Metropolitan District No. 1, Kings Point South Metropolitan District No. 2, Kings Point Metropolitan District No. 1, Whispering Pines Metropolitan District No. 1, and Inspiration Metropolitan District (together, the ("SARIA Districts"). Upon execution of the agreement, the South Aurora Regional Improvement Authority (the Authority) was established for the purpose of planning, constructing, installing and financing the Regional Improvements designated in ARI Master Plans.

On October 2, 2018, the District, along with the SARIA Districts entered into the First Amendment to the South Aurora Regional Improvement Authority Establishment Agreement (the "FASARIAEA"). Under the terms of the FASARIAEA, the District and SARIA District covenant to impose an ARI Mill Levy as set forth in such District's service plan, and to remit all proceeds of such District's ARI Mill Levy (net of County treasurer collection costs and excluding any specific ownership taxes received by the District as a result of its imposition of the ARI Mill Levy) to the Authority within 30 days of receipt by such District.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

On December 8, 2017 the Parties to the SARIA IGA approved the South Aurora approved the SARIA ARI Master Plan No. 1 (ARI Master Plan No. 1). On June 15, 2018, the Parties to the SARIA IGA approved the SARIA ARI Master Plan No. 2 (ARI Master Plan No. 2) which supersedes ARI Master Plan No. 1. ARI Master Plan No. 2 prioritizes regional improvement projects within the Authority.

Declaration of Covenants Imposing and Implementing Payment in Lieu of Taxes

On July 21, 2021, various Property Owners adopted a Covenant Imposing and Implementing Payment in Lieu of Taxes which benefits the District. Whereby the Property Owners agree that for any year that any portion of the property it owns constitutes Tax-Exempt Property, the owner of such property shall pay to the District an amount equal to the revenue that would have been derived on an annual basis from the imposition of the Mill Levy for debt service and operations and maintenance.

Note 6: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 7: Interfund and Operating Transfers

The transfer of \$3,712,591 from the Capital Projects Fund to the Debt Service Fund was transferred for the purpose of for the purpose of funding the Reserve Fund and Capitalized Interest for the Series 2021A Bonds. (See Note 4)

Note 8: 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.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 7, 2017, 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.

Note 9: 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 10: 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 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 and developer advances payable and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

PRONGHORN VALLEY METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments 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 developer 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.

SUPPLEMENTAL INFORMATION

PRONGHORN VALLEY 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 & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 56,768	\$ 56,768	\$ -
Specific ownership taxes	3,406	3,913	507
Interest income	<u>1,000</u>	<u>708</u>	<u>(292)</u>
Total Revenues	<u>61,174</u>	<u>61,389</u>	<u>215</u>
EXPENDITURES			
Bond principal	-	-	-
Bond interest	505,533	224,510	281,023
Regional mill levy	1,163	1,180	(17)
Paying agent fees	10,000	-	10,000
Treasurer fees	<u>852</u>	<u>857</u>	<u>(5)</u>
Total Expenditures	<u>517,548</u>	<u>226,547</u>	<u>291,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(456,374)	(165,158)	291,216
OTHER FINANCING SOURCES (USES)			
Transfers (to)/from other funds	<u>2,190,575</u>	<u>3,712,591</u>	<u>1,522,016</u>
Total Other Financing Sources (Uses)	<u>2,190,575</u>	<u>3,712,591</u>	<u>1,522,016</u>
NET CHANGE IN FUND BALANCE	1,734,201	3,547,433	1,813,232
FUND BALANCE:			
BEGINNING OF YEAR	<u>2,248,747</u>	<u>58,840</u>	<u>(2,189,907)</u>
END OF YEAR	<u>\$ 3,982,948</u>	<u>\$ 3,606,273</u>	<u>\$ (376,675)</u>

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

PRONGHORN VALLEY 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	\$ -	\$ 1,339	\$ 1,339
Total Revenues	<u>-</u>	<u>1,339</u>	<u>1,339</u>
EXPENDITURES			
Capital improvements	7,820,855	1,983,128	5,837,727
Cost of issuance	472,570	701,920	(229,350)
Repay developer principal	-	28,553	(28,553)
Repay developer interest	<u>-</u>	<u>6,160</u>	<u>(6,160)</u>
Total Expenditures	<u>8,293,425</u>	<u>2,719,761</u>	<u>5,573,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,293,425)	(2,718,422)	5,575,003
OTHER FINANCING SOURCES (USES)			
Bond proceeds	10,484,000	20,449,000	9,965,000
Transfers (to)/from other funds	<u>(2,190,575)</u>	<u>(3,712,591)</u>	<u>(1,522,016)</u>
Total Other Financing Sources (Uses)	<u>8,293,425</u>	<u>16,736,409</u>	<u>8,442,984</u>
NET CHANGE IN FUND BALANCE	-	14,017,987	14,017,987
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 14,017,987</u>	<u>\$ 14,017,987</u>

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

PRONGHORN VALLEY METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2021

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>				<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Contractual</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2020	\$ 1,113,341	10.000	50.000	1.000	61.000	\$ 67,914	\$ 67,913	100.00%
2021	\$ 1,113,092	10.000	50.000	1.000	61.000	\$ 67,899	\$ 67,899	100.00%
Estimated for year ending December 31, 2022	\$ 1,897,486	10.000	54.773	1.032	65.805	\$ 124,864		