

POLO RESERVE METROPOLITAN DISTRICT
Arapahoe County, CO

FINANCIAL STATEMENTS
December 31, 2023

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Polo Reserve Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Polo Reserve Metropolitan District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Polo Reserve Metropolitan District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Polo Reserve Metropolitan District as of December 31, 2023, 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. 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 Polo Reserve Metropolitan District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of 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 Polo Reserve Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Polo Reserve Metropolitan District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

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

A handwritten signature in black ink that reads "Gurn & Associates LLP". The signature is written in a cursive, flowing style.

Fort Collins, Colorado
May 10, 2024

Management's Discussion and Analysis

Polo Reserve Metropolitan District

Management's Discussion and Analysis

Introduction:

Management's Discussion and Analysis is intended to provide the reader and user of our financial statements with a narrative overview of the District's financial activities. Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's financial statements and notes to the financial statements, beginning on page 7.

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

- Statement of Net Position
- Statement of Activities
- Balance Sheet – Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance– Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Notes to the Financial Statements

The financial statements of the District are presented as a special purpose government entity engaged in government-type activities. These financial statements distinguish between the functions of the District that will be principally supported by taxes. The functions of the District include the provision of park and recreation services and non-potable irrigation water for the irrigation of the District's recreation improvements.

The **Statement of Net Position** prepared using the full accrual basis of accounting, provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining a status quo.

The **Statement of Activities** provides information about the components – Program Expenses, Program Revenue, General Revenue – of the District's annual operating activities and how those activities affected net position.

The **Balance Sheet – Governmental Funds** presents the financial position of the District's funds using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The **Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds** presents the activities of the District's funds using the modified accrual method of accounting which includes expenditures for capital assets and debt service obligations. This method approximates the reporting on a cash basis and closely follows the budgetary method.

The two reconciliations, which accompany these governmental funds statements, provide explanations of the specific differences in these statements as compared to the Statement of Net position and the Statement of Activities.

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, this will include a comparison of the originally approved budget with the final amended budget.

The **Notes to Financial Statements** provide additional, required disclosures about the District, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

Condensed Comparative Financial Information:

Statement of Net Position

	2023	2022	2021
Current Assets			
Cash and cash equivalents	\$ 228,080	\$ 250,773	\$ 288,269
Other current assets	125,842	111,077	95,083
	<u>353,922</u>	<u>361,850</u>	<u>383,352</u>
Non Current Assets			
Capital assets – net	1,314,496	1,354,720	1,395,020
Total Assets	<u>1,668,418</u>	<u>1,716,570</u>	<u>1,778,372</u>
Current Liabilities	16,854	6,443	6,617
Total Liabilities	<u>16,854</u>	<u>6,443</u>	<u>6,617</u>
Deferred Inflows of Resources			
Deferred property taxes	82,697	80,272	77,994
Total Deferred Inflows of resources	<u>82,697</u>	<u>80,272</u>	<u>77,994</u>
Net Position			
Net investment in capital assets	1,314,496	1,354,720	1,395,020
Restricted	6,719	4,813	5,156
Unrestricted	247,652	270,322	293,585
Total Net Position	<u>\$ 1,568,867</u>	<u>\$ 1,629,855</u>	<u>\$ 1,693,761</u>

Statement of Activities

	2023	2022	2021
Program Expenses	\$ 283,792	\$ 223,237	\$ 190,403
Program Revenues	135,536	81,324	79,094
Net Program Revenue (Expense)	(148,256)	(141,913)	(111,309)
General Revenues	87,268	78,007	224,478
Change in Net Position	(60,988)	(63,906)	113,169
Net Position, Beginning of Year	1,629,855	1,693,761	1,580,592
Net Position, End of Year	<u>\$ 1,568,867</u>	<u>\$ 1,629,855</u>	<u>\$ 1,693,761</u>

This foregoing information is a summary of the financial information contained in the District's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 7.

Discussion of Financial Position and Operating Activities

Net position at the end of December 2023 was \$1,568,867. This is from expenses that exceeded revenues by \$60,988.

The District restricted three percent (3%) of its non-debt service expenditures for emergencies in accordance with TABOR requirements. The District's total assets are comprised primarily of property taxes to be received in 2023, capital assets and cash.

The District's total liabilities are comprised primarily of its payables due in the normal course of operations. The District's deferred inflows of resources are comprised of deferred property taxes.

In 2023, program expenses exceeded program revenues by \$148,256. Net general revenues were \$87,268, which resulted in a decrease in net position. See page 8 of the accompanying Financial Statements for details of these revenues and expenses.

Fund Discussion

The General Fund balance decreased from \$275,135 in 2022 to \$254,371 in 2023. The fund balance includes \$6,719 for emergencies in accordance with TABOR requirements and \$5,080 that is classified as nonspendable. The assets are comprised primarily of property tax revenues to be realized in 2023, cash and cash equivalents.

Total General Fund revenues were exceeded by expenditures by \$20,764 see page 10 of the accompanying financial statements for the details of the revenues and expenditures.

General Fund Budgetary Discussion

Actual revenues for the General Fund were \$45,664 more than the final budget. The budget was amended in 2023.

Actual expenditures for 2023 were \$30,262 less than the final budgeted expenditures. See page 11 of the accompanying financial statements for more detail.

Capital Assets and Long-term Obligations

Capital Assets. The District's primary capital assets are the polo fields that were purchased through the issuance of general obligation bonds. There was \$0 of additions or disposals in 2023. See Note 3 of the Notes to the Financial Statements on page 18.

Economic Factors and Next Year's Budget

Property tax revenues are expected to remain constant due to the property tax revenue limit in the upcoming year. There is little or no development that has occurred in the District nor is any anticipated in the future.

Expenditures are expected to remain the same as administrative and legal efforts and management service costs are not expected to increase in 2024. There will be minimal costs for construction in 2024, as the District has completed its capital acquisition program.

Requests for Information. This financial report is designed to provide a general overview of Polo Reserve Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the District at c/o Morain Bakarich, 2801 Youngfield St., Ste 370, Golden, CO 80401.

Basic Financial Statements

Polo Reserve Metropolitan District
Statement of Net Position
December 31, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 228,080
Accounts receivable	37,724
Amounts due from Arapahoe County	341
Prepaid expenses	5,080
Property taxes receivable	<u>82,697</u>
Total Current Assets	<u>353,922</u>

Noncurrent Assets

Capital assets	
Nondepreciable	1,249,714
Depreciable	588,085
Less: Accumulated depreciation	<u>(523,303)</u>
Net Capital Assets	<u>1,314,496</u>
Total Noncurrent Assets	<u>1,314,496</u>
Total Assets	<u>1,668,418</u>

Liabilities

Current Liabilities

Accounts payable	<u>16,854</u>
Total Liabilities	<u>16,854</u>

Deferred Inflows of Resources

Deferred property tax revenue	<u>82,697</u>
Total Deferred Inflows of Resources	<u>82,697</u>

Net Position

Net investment in capital assets	1,314,496
Restricted for emergencies	6,719
Unrestricted	<u>247,652</u>
Total Net Position	<u>\$ 1,568,867</u>

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Statement of Activities
For the Year Ended December 31, 2023

Program Expenses

Landscape maintenance	\$ 72,233
Utilities	24,617
Repairs and maintenance	85,008
Audit and accounting	30,365
Office expenses and bank charges	1,242
Insurance	4,348
Legal	25,755
Depreciation	40,224
Total Program Expenses	<u>283,792</u>

Program Revenue

HOA cost sharing	59,724
User fees	4,291
J-5 reimbursements and annual fee	55,166
Polo lease income	15,339
Miscellaneous income	1,016
Total Program Revenues	<u>135,536</u>

Net Program Revenue / (Expense)	<u>(148,256)</u>
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General Revenue (Expense)

Property taxes	78,065
Specific ownership taxes	5,260
Interest income	5,113
Treasurer's fees	(1,170)
Total General Revenue (Expense)	<u>87,268</u>

Change in Net Position

	(60,988)
Net Position, beginning of year	<u>1,629,855</u>
Net Position, end of year	<u><u>\$ 1,568,867</u></u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Polo Reserve Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 228,080
Accounts receivable	37,724
Amounts due from Arapahoe County	341
Prepaid expenses	5,080
Property taxes receivable	<u>82,697</u>
Total Assets	<u><u>\$ 353,922</u></u>
Liabilities	
Current Liabilities	
Accounts payable	<u>\$ 16,854</u>
Total Liabilities	<u>16,854</u>
Deferred Inflows of Resources	
Deferred property tax revenue	<u>82,697</u>
Total Deferred Inflows of Resources	<u>82,697</u>
Equity	
Fund Balance	
Nonspendable	5,080
Restricted	6,719
Unassigned	<u>242,572</u>
Total Fund Balance	<u>254,371</u>
Total Liabilities, Equity and Deferred Inflows of Resources	<u><u>\$ 353,922</u></u>

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total Fund Balance	\$ 254,371
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Amounts reported for governmental funds in the Statement of Net Position are different because:

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

	<u>1,314,496</u>
Total Net Position	<u><u>\$ 1,568,867</u></u>

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	General
Revenues	
Property taxes	\$ 78,065
Specific ownership taxes	5,260
Interest income	5,113
Polo lease income	15,339
HOA cost sharing	59,724
User fees	4,291
J-5 reimbursements and annual fee	55,166
Other income	1,016
Total Revenue	<u>223,974</u>
Expenditures	
Operations:	
Landscape maintenance	72,233
Utilities	24,617
Repairs and maintenance	85,008
Administrative:	
Audit and accounting	30,365
Office expenses and bank charges	1,242
Insurance	4,348
Legal	25,755
Treasurer's fees	1,170
Total Expenditures	<u>244,738</u>
Net Change in Fund Balance	(20,764)
Fund Balance, beginning of year	<u>275,135</u>
Fund Balance, end of year	<u><u>\$ 254,371</u></u>
 Total Change in Fund Balance Governmental Fund	 \$ (20,764)
Depreciation expense reported in the Statement of Activities does not require the use of current financial resources therefore is excluded from the fund statements.	 <u>(40,224)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (60,988)</u></u>

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 80,272	\$ 80,272	\$ 78,065	\$ (2,207)
Specific ownership taxes	6,555	6,555	5,260	(1,295)
Interest income	96	96	5,113	5,017
Polo lease income	15,339	15,339	15,339	-
HOA cost sharing	35,286	35,286	59,724	24,438
User fees	4,172	4,172	4,291	119
J-5 reimbursements and annual fee	35,615	35,615	55,166	19,551
Other income	975	975	1,016	41
Total Revenue	<u>178,310</u>	<u>178,310</u>	<u>223,974</u>	<u>45,664</u>
Expenditures				
Operations:				
Landscape maintenance	70,730	70,730	72,233	(1,503)
Utilities	27,584	27,584	24,617	2,967
Repairs and maintenance	32,885	125,328	85,008	40,320
Administrative:				
Audit and accounting	14,997	14,997	30,365	(15,368)
Office expenses and bank charges	5,245	5,245	1,242	4,003
Insurance	4,266	4,266	4,348	(82)
Legal	25,748	25,748	25,755	(7)
Treasurer's fees	1,102	1,102	1,170	(68)
Total Expenditures	<u>182,557</u>	<u>275,000</u>	<u>244,738</u>	<u>30,262</u>
Net Change in Fund Balance	<u>\$ (4,247)</u>	<u>\$ (96,690)</u>	<u>(20,764)</u>	<u>\$ 75,926</u>
Beginning Fund Balance			275,135	
Ending Fund Balance			<u>\$ 254,371</u>	

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Notes to Financial Statements
December 31, 2023

Note 1 Summary of Significant Accounting Policies

The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District was established primarily to provide for the financing and acquisition of certain recreational improvements for the use and benefit of all residents, taxpayers, and owners' of real property within its boundaries. Specifically, the activities of the District are acquisition and maintenance of the polo fields within the community and the acquisition of water rights for the purpose of irrigating the recreational improvements. The District has no employees and all operations and administrative functions are contracted.

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability.

The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the District. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. The major fund types used by the District are described below.

Governmental Fund Type

General Fund –is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Program revenues consist of revenues that are associated with the rental and upkeep of the polo fields. These include annual leases, annual fees and cost reimbursements.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

Assets and Liabilities

Cash and cash equivalents- The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – All capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation of the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives range from 3-10 years for capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Accrued Liabilities and long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Inflows of Resources and Deferred Outflows of Resources

The District implemented the provisions of GASB No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net Position

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable- consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$5,080 as of December 31, 2023.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 4). A reservation of \$6,719 of the General Fund balance has been made in compliance with this requirement.

Committed- General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2023.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2023 the assigned fund balance was \$0.

Unassigned- consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

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

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 1 Summary of Significant Accounting Policies (Continued)

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or revised by the District Board.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2023, the District's cash deposits had a carrying balance of \$58,745 with a corresponding bank balance of \$58,745, all of which is federally insured.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District had \$0 collateralized under PDPA.

The Colorado Divisions of Banking 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the District's bank deposits were exposed to custodial credit risk.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 2 Cash and Investments (Continued)

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

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

At December 31, 2023, the District had \$169,335 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST EDGE, and COLOTRUST PLUS+. All portfolios may invest in U.S. Treasury securities 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 any security allowed under section 24-75-601, C.R.S., as amended. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

COLOTRUST measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72. COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is 'AAAm.' COLOTRUST EDGE is rated by Fitch Ratings. The current rating is 'AAAf/S1.

COLOTRUST PLUS+ and PRIME

PRIME is presently allowed by the Trust's investment policies to maintain a portion of its assets in U.S. Treasury securities or repurchase agreements collateralized by U.S. Treasury securities. It may also invest assets in securities of a Federal Farm Credit Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, and other federal instrumentality or agency security permitted by the Legal Investments Act, repurchase agreements collateralized by those securities,

Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023

Note 2 Cash and Investments (Continued)

collateralized bank deposits, and 'AAAm' rated government money market funds. The PRIME portfolio may be invested in securities with a maximum maturity of 397 days for fixed rate debt and 762 days for sovereign government floating-rate debt. The PRIME portfolio is limited to an average weighted maturity not to exceed 60 days to reset and 120 days to final. PRIME seeks to maintain a stable Net Asset Value (NAV) of \$1.00 per share.

COLOTRUST EDGE

COLOTRUST EDGE is a variable net asset value (NAV) local government investment pool that offers weekly liquidity to participants. EDGE is suitable for a local government's strategic reserves / non-operating funds and has a NAV that is managed to approximate a \$10.00 transactional share price.

As of December 31, 2023, the Board had not adopted a formal investment policy.

Note 3 Capital Assets

A summary of changes to capital assets for 2023 is as follows:

	Balance at 12/31/2022	Additions	Deletions	Balance at 12/31/2023
Nondepreciable				
Land	\$ 1,249,714	\$ -	\$ -	\$ 1,249,714
Total Nondepreciable	<u>1,249,714</u>	<u>-</u>	<u>-</u>	<u>1,249,714</u>
Depreciable				
Fence	5,500	-	-	5,500
Irrigation System	499,433	-	-	499,433
Equipment	83,152	-	-	83,152
Total Depreciable	<u>588,085</u>	<u>-</u>	<u>-</u>	<u>588,085</u>
TOTAL	<u>1,837,799</u>	<u>-</u>	<u>-</u>	<u>1,837,799</u>
Less Accumulated Depreciation				
Fence	(5,500)	-	-	(5,500)
Irrigation System	(411,693)	(39,112)	-	(450,805)
Equipment	(65,886)	(1,112)	-	(66,998)
Total Accumulated Depreciation	<u>(483,079)</u>	<u>(40,224)</u>	<u>-</u>	<u>(523,303)</u>
Net Capital Assets	<u>\$ 1,354,720</u>	<u>\$ (40,224)</u>	<u>\$ -</u>	<u>\$ 1,314,496</u>

Depreciation expense for the year ended December 31, 2023 was \$40,224.

Note 4 Operations and Maintenance Mill Levy

At a 2002 election, a majority of the District's electors approved an operation and maintenance mill levy that is not limited as to rate provided, however, the aggregate amount of tax revenue generated by the District's operation and maintenance mill levy cannot exceed \$78,000 in any given year.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2023**

Note 5 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, The Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

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, which 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. This District had an emergency reserve of \$6,719 as of December 31, 2023.

Note 6 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded the District's commercial coverage in the last three years.

Note 7 Commitments and Contingencies

As of December 31, 2023, the District has several contracts for services provided to the District. The District has contracts for water and landscape maintenance with various local vendors in which payments are determined by the amount of the services provided.