

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
DOUGLAS COUNTY, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024

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INSERT INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinery Commercial Metropolitan District No. 1 (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, and the respective changes in financial position thereof, 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 Responsibility 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such 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. The 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Economic Dependency

As disclosed in Note 11 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Fiscal Focus Partners, LLC

Arvada, Colorado
September 29, 2025

BASIC FINANCIAL STATEMENTS

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities
ASSETS	
Cash and Investments	\$ 15,966
Cash and Investments - Restricted	671,299
Due from Other Districts	2,455
Receivable from County Treasurer	5
Property Tax Receivable	730
Capital Assets:	
Capital Assets Not Being Depreciated	6,106,595
Total Assets	6,797,050
LIABILITIES	
Accounts Payable	828,806
Retainage Payable	36,479
Noncurrent Liabilities:	
Due in More Than One Year	7,810,938
Total Liabilities	8,676,223
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	730
Total Deferred Inflows of Resources	730
NET POSITION	
Restricted for:	
Emergency Reserve	1,300
Debt Service	1,638
Unrestricted	(1,882,841)
Total Net Position	\$ (1,879,903)

See accompanying Notes to Basic Financial Statements.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 100,312	\$ -	\$ 41,360	\$ -	\$ (58,952)
Interest on Long-Term Debt and Related Costs	680,364	-	-	-	(680,364)
Total Governmental Activities	\$ 780,676	\$ -	\$ 41,360	\$ -	(739,316)
GENERAL REVENUES					
Property Taxes					730
Specific Ownership Taxes					55
Net Interest Income					230
Other Revenue					19
Total General Revenues					1,034
CHANGES IN NET POSITION					
Net Position - Beginning of Year					(1,141,621)
NET POSITION - END OF YEAR					
					\$ (1,879,903)

See accompanying Notes to Basic Financial Statements.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 15,966	\$ -	\$ -	\$ 15,966
Cash and Investments - Restricted	1,300	1,638	668,361	671,299
Receivable from County Treasurer	5	-	-	5
Due from Other Districts	2,455	-	-	2,455
Property Tax Receivable	730	-	-	730
	<u>\$ 20,456</u>	<u>\$ 1,638</u>	<u>\$ 668,361</u>	<u>\$ 690,455</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 24,717	\$ -	\$ 804,089	\$ 828,806
Retainage Payable	-	-	36,479	36,479
Total Liabilities	<u>24,717</u>	<u>-</u>	<u>840,568</u>	<u>865,285</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax	730	-	-	730
Total Deferred Inflows of Resources	<u>730</u>	<u>-</u>	<u>-</u>	<u>730</u>
FUND BALANCES				
Restricted for:				
Emergency Reserves	1,300	-	-	1,300
Debt Service	-	1,638	-	1,638
Assigned to:				
Subsequent Year's Expenditures	190	-	-	190
Unassigned	(6,481)	-	(172,207)	(178,688)
Total Fund Balances (Deficits)	<u>(4,991)</u>	<u>1,638</u>	<u>(172,207)</u>	<u>(175,560)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,456</u>	<u>\$ 1,638</u>	<u>\$ 668,361</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,106,595
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer Advance Payable	(6,399,752)
Accrued Developer Advance Interest	(1,411,186)
Net Position of Governmental Activities	<u>\$ (1,879,903)</u>

See accompanying Notes to Basic Financial Statements.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 730	\$ -	\$ -	\$ 730
Specific Ownership Taxes	55	-	-	55
Net Interest Income	230	-	-	230
Other Revenue	19	-	-	19
Transfers From District No. 2	41,360	-	-	41,360
Total Revenues	<u>42,394</u>	<u>-</u>	<u>-</u>	<u>42,394</u>
EXPENDITURES				
Accounting	20,703	-	-	20,703
County Treasurer's Fee	11	-	-	11
Dues And Membership	581	-	-	581
Election	268	-	-	268
Engineering	-	-	93,422	93,422
Insurance	5,772	-	-	5,772
Landscaping	23,978	-	-	23,978
Legal	31,226	-	-	31,226
Miscellaneous	30	-	-	30
Utilities	17,743	-	-	17,743
Capital Projects:				
Capital Outlay	-	-	769,871	769,871
Total Expenditures	<u>100,312</u>	<u>-</u>	<u>863,293</u>	<u>963,605</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(57,918)	-	(863,293)	(921,211)
OTHER FINANCING SOURCES (USES)				
Developer Advance	61,900	-	691,086	752,986
Total Other Financing Sources	<u>61,900</u>	<u>-</u>	<u>691,086</u>	<u>752,986</u>
NET CHANGE IN FUND BALANCES	3,982	-	(172,207)	(168,225)
Fund Balances (Deficits) - Beginning of Year	<u>(8,973)</u>	<u>1,638</u>	<u>-</u>	<u>(7,335)</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (4,991)</u>	<u>\$ 1,638</u>	<u>\$ (172,207)</u>	<u>\$ (175,560)</u>

See accompanying Notes to Basic Financial Statements.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Net Change in Fund Balances - Total Governmental Funds \$ (168,225)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay 863,293

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance (752,986)

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

Accrued Interest Payable Developer Advance - Change in Liability (680,364)

Changes in Net Position of Governmental Activities \$ (738,282)

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
DECEMBER 31, 2024**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 730	\$ 730	\$ 730	\$ -
Specific Ownership Taxes	66	55	55	-
Net Interest Income	60	230	230	-
Other Revenue	-	19	19	-
Transfers From District No. 2	40,424	41,360	41,360	-
Total Revenues	<u>41,280</u>	<u>42,394</u>	<u>42,394</u>	<u>-</u>
EXPENDITURES				
Accounting	20,000	20,703	20,703	-
Contingency	389	4,686	-	4,686
County Treasurer's Fee	11	11	11	-
Dues And Membership	750	582	581	1
Election	-	269	268	1
Insurance	6,850	5,772	5,772	-
Landscaping	32,000	23,978	23,978	-
Legal	20,000	31,226	31,226	-
Miscellaneous	-	30	30	-
Utilities	15,000	17,743	17,743	-
Total Expenditures	<u>95,000</u>	<u>105,000</u>	<u>100,312</u>	<u>4,688</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(53,720)	(62,606)	(57,918)	4,688
OTHER FINANCING SOURCES (USES)				
Developer Advance	54,000	75,000	61,900	(13,100)
Total Other Financing Sources (Uses)	<u>54,000</u>	<u>75,000</u>	<u>61,900</u>	<u>(13,100)</u>
NET CHANGE IN FUND BALANCE	280	12,394	3,982	(8,412)
Fund Balance (Deficit) - Beginning of Year	<u>1,300</u>	<u>1,300</u>	<u>(8,973)</u>	<u>(10,273)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,580</u>	<u>\$ 13,694</u>	<u>\$ (4,991)</u>	<u>\$ (18,685)</u>

See accompanying Notes to Basic Financial Statements.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 DEFINITION OF REPORTING ENTITY

Pinery Commercial Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Douglas County, Colorado on December 12, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). At special elections of the eligible electors of the District on November 5, 2005, and on May 8, 2018, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2024.

Pooled Cash

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

Property Taxes

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

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

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Deferred Inflows of Resources

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

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

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

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

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

Deficits

The General Fund and Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2024. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2025.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 15,966
Cash and Investments - Restricted	671,299
Total Cash and Investments	\$ 687,265

Cash and investments as of December 31, 2024, consist of the following:

Deposits with Financial Institutions	\$ 685,559
Investments	1,706
Total Cash and Investments	\$ 687,265

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102.00% 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.

On December 31, 2024, the District's cash deposits had a bank balance and carrying balance of \$685,559.

Investments

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

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

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

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

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

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 1,706
		<u>\$ 1,706</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2024, follows:

	Balance at December 31, 2023, as restated	Increases	Decreases	Balance at December 31, 2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,243,302	\$ 863,293	\$ -	\$ 6,106,595
Total Capital Assets, Not Being Depreciated	<u>5,243,302</u>	<u>863,293</u>	<u>-</u>	<u>6,106,595</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,243,302</u>	<u>\$ 863,293</u>	<u>\$ -</u>	<u>\$ 6,106,595</u>

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2024:

	Balance at December 31, 2023, as restated	Additions	Reductions	Balance at December 31, 2024	Due Within One Year
Other Debts:					
Developer Advance - Operating	\$ 361,052	\$ 61,900	\$ -	\$ 422,952	\$ -
Developer Advance - Capital	5,285,714	691,086	-	5,976,800	-
Accrued Interest on:					
Developer Advance - Operating	67,566	25,114	-	92,680	-
Developer Advance - Capital	663,256	655,250	-	1,318,506	-
Subtotal Other Debts	<u>6,377,588</u>	<u>1,433,350</u>	<u>-</u>	<u>7,810,938</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 6,377,588</u>	<u>\$ 1,433,350</u>	<u>\$ -</u>	<u>\$ 7,810,938</u>	<u>\$ -</u>

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

As of December 31, 2024, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized on November 1, 2005	Authorized on May 8, 2018	Authorized But Unissued
Public Improvements	\$ 75,000,000	\$ 500,000,000	\$ 575,000,000
Operations and Maintenance	15,000,000	50,000,000	65,000,000
Intergovernmental Agreements	15,000,000	150,000,000	165,000,000
Refunding	15,000,000	50,000,000	65,000,000
Total	<u>\$ 120,000,000</u>	<u>\$ 750,000,000</u>	<u>\$ 870,000,000</u>

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

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

NOTE 6 NET POSITION

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2024, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 1,300
Debt Service Reserve	1,638
Total Restricted Net Position	<u>\$ 2,938</u>

The District has a deficit in unrestricted net position. The deficit was a result of capital expenditures paid by advances from the developer.

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 7 AGREEMENTS

Infrastructure Acquisition and Reimbursement Agreement

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

The parties agreed that only completed phases of work shall be eligible for reimbursement by the District. The District agrees to reimburse the Developer for certified construction costs related to public improvements together with simple interest that shall accrue on amounts reimbursable to the Developer under this agreement, until paid, at the rate of 6.50% per annum.

As of December 31, 2024, outstanding advances under this agreement totaled \$5,285,714 and accrued interest totaled \$1,316,523.

Funding and Reimbursement Agreement (Capital Costs)

The District and TF Pinery West L.P. (Developer) entered into a Funding and Reimbursement Agreement (Capital Costs) on May 13, 2024. Pursuant to the agreement, the District has and will incur costs related to public infrastructure in the nature of capital costs and the Developer agrees to loan the District, upon request, up to \$6,000,000 per annum for two years up to the aggregate of \$12,000,000 (Maximum Loan Amount). These funds shall be loaned to the District in one or a series of installments through December 31, 2026. The District's obligations shall terminate at the earlier of the repayment in full of the Maximum Loan Amount or 20 years from the execution date. These termination provisions shall not apply to the terms of any Reimbursement Obligations.

Each loan advance made under this agreement prior to the issuance of any Reimbursement Obligations reflecting such advance, shall accrue interest at 8.00% per annum, from the date any such advance is made to the earlier of the Reimbursement Obligations are issued, or the date of repayment in full of all interest and principal due and payable.

At the direction of the Developer one or more Reimbursement Obligations may be issued. Such Reimbursement Obligations shall mature on a date or dates that shall not extend beyond the maximum repayment term established in the Districts Service Plan or any applicable electoral authorization (Maximum Reimbursement Obligation Repayment Term).

As of December 31, 2024, outstanding advances under this agreement totaled \$691,086 and accrued interest totaled \$1,983.

Funding and Reimbursement Agreement (Operations and Maintenance)

The District and the Developer entered into a Funding and Reimbursement Agreement (O&M) on March 9, 2018, as amended on November 19, 2021, and January 30, 2025, for the purposes of funding operations and maintenance costs.

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 7 AGREEMENTS (CONTINUED)

Funding and Reimbursement Agreement (Operations and Maintenance) (Continued)

The Developer agreed to loan to the District one or more sums of money, not to exceed a collective total of \$945,000 (Maximum Loan Amount) through December 31, 2026. With respect to each loan advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance, the interest rate shall be 6.50% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount.

As of December 31, 2024, outstanding advances under this agreement totaled \$422,952 and accrued interest totaled \$92,680.

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

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

NOTE 8 RELATED PARTY

The property within the District is being developed by TF Pinery West L.P. (Developer). During 2024, all of the members of the Board of Directors were officers or employees of, or otherwise associated with the Developer, and may have conflicts of interest in matters involving the District.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On November 1, 2010, 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 TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3.00% 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. On December 31, 2024, the District determined its required emergency reserve to be approximately \$1,300.

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.

NOTE 11 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 12 RESTATEMENT

A restatement was made to include a cost certification that was not recorded in 2023. Balances for capital assets and developer advances – capital have been reflected to show this restatement.

SUPPLEMENTARY INFORMATION

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
NET CHANGE IN FUND BALANCE			
	-	-	-
Fund Balance - Beginning of Year	1,638	1,638	-
FUND BALANCE - END OF YEAR	<u>\$ 1,638</u>	<u>\$ 1,638</u>	<u>\$ -</u>

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Interest Income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Engineering	-	93,422	93,422	-
Capital Outlay	-	1,232,370	769,871	462,499
Total Expenditures	-	1,325,792	863,293	462,499
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,325,792)	(863,293)	462,499
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	1,325,792	691,086	(634,706)
Total Other Financing Sources (Uses)	-	1,325,792	691,086	(634,706)
NET CHANGE IN FUND BALANCE	-	-	(172,207)	(172,207)
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172,207)</u>	<u>\$ (172,207)</u>

OTHER INFORMATION

**PINERY COMMERCIAL METROPOLITAN DISTRICT NO. 1
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2024**

Year Ended <u>December 31,</u>	Assessed Valuation	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Total	Levied	Collected	
2019/2020	\$ 19,010	10.000	40.000	50.000	\$ 950	\$ 950	100.00 %
2020/2021	19,010	10.000	40.000	50.000	950	950	100.00 %
2021/2022	19,010	10.000	-	10.000	190	190	100.00 %
2022/2023	70,490	10.000	-	10.000	705	705	100.00 %
2023/2024	73,030	10.000	-	10.000	730	730	100.00 %
Estimated for Year Ending December 31, 2025	\$ 73,030	10.000	-	10.000	\$ 730		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: Douglas County Assessor and Treasurer.