

Powhatan Road Metropolitan District No. 2

Financial Statements

Year Ended December 31, 2022

with

Independent Auditors' Report

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# HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Powhaton Road Metropolitan District No. 2  
Arapahoe County, Colorado

### **Opinion**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Powhaton Road Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2022, 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, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

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

*Hiratsuka & Associates, LLP*

July 31, 2023  
Wheat Ridge, Colorado

## Powhatan Road Metropolitan District No. 2

### BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2022

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments - restricted	\$ 75,369	\$ 1,635	\$ 77,004	\$ -	\$ 77,004
Receivable - County Treasurer	1,246	3,644	4,890	-	4,890
Property taxes receivable	301,864	662,675	964,539	-	964,539
Receivable District No. 1	<u>66,362</u>	<u>445,898</u>	<u>512,260</u>	<u>-</u>	<u>512,260</u>
Total Assets	<u>\$ 444,841</u>	<u>\$ 1,113,852</u>	<u>\$ 1,558,693</u>	<u>-</u>	<u>1,558,693</u>
<b>LIABILITIES</b>					
Payable to Authority	\$ 108,389	\$ 450,591	\$ 558,980	-	558,980
Regional Mill Levy Payable	<u>34,219</u>	<u>-</u>	<u>34,219</u>	<u>-</u>	<u>34,219</u>
Total Liabilities	<u>142,608</u>	<u>450,591</u>	<u>593,199</u>	<u>-</u>	<u>593,199</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	<u>301,864</u>	<u>662,675</u>	<u>964,539</u>	<u>-</u>	<u>964,539</u>
Total Deferred Inflows of Resources	<u>301,864</u>	<u>662,675</u>	<u>964,539</u>	<u>-</u>	<u>964,539</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Restricted:					
Emergencies	128	-	128	(128)	-
Debt service	-	586	586	(586)	-
Unassigned	<u>241</u>	<u>-</u>	<u>241</u>	<u>(241)</u>	<u>-</u>
Total Fund Balances	<u>369</u>	<u>586</u>	<u>955</u>	<u>(955)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 444,841</u>	<u>\$ 1,113,852</u>	<u>\$ 1,558,693</u>		
Net Position:					
Restricted for:					
Emergencies				128	128
Debt service				586	586
Unrestricted				<u>241</u>	<u>241</u>
Total Net Position				<u>\$ 955</u>	<u>\$ 955</u>

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

## Powhatan Road Metropolitan District No. 2

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

For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>					
Transfer to Authority	\$ 265,043	\$ 472,885	\$ 737,928	\$ -	\$ 737,928
Treasurer's fees	4,009	11,730	15,739	-	15,739
Bond interest expense	-	267,609	267,609	825,580	1,093,189
Aurora Regional Mill levy	<u>15,093</u>	<u>-</u>	<u>15,093</u>	<u>-</u>	<u>15,093</u>
Total Expenditures	<u>284,145</u>	<u>752,224</u>	<u>1,036,369</u>	<u>825,580</u>	<u>1,861,949</u>
<b>GENERAL REVENUES</b>					
Property taxes	267,131	781,581	1,048,712	-	1,048,712
Specific ownership taxes	16,864	49,343	66,207	-	66,207
Interest income	<u>519</u>	<u>11,598</u>	<u>12,117</u>	<u>-</u>	<u>12,117</u>
Total General Revenues	<u>284,514</u>	<u>842,522</u>	<u>1,127,036</u>	<u>-</u>	<u>1,127,036</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	369	90,298	90,667	(825,580)	(734,913)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from Authority	-	10,133,771	10,133,771	-	10,133,771
Payment to refunding escrow	<u>-</u>	<u>(12,133,906)</u>	<u>(12,133,906)</u>	<u>12,133,906</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,000,135)</u>	<u>(2,000,135)</u>	<u>12,133,906</u>	<u>10,133,771</u>
<b>NET CHANGES IN FUND BALANCES</b>					
	369	(1,909,837)	(1,909,468)	1,909,468	
<b>CHANGE IN NET POSITION</b>					
				9,398,858	9,398,858
<b>FUND BALANCES/NET POSITION:</b>					
BEGINNING OF YEAR	<u>-</u>	<u>1,910,423</u>	<u>1,910,423</u>	<u>(11,308,326)</u>	<u>(9,397,903)</u>
END OF YEAR	<u>\$ 369</u>	<u>\$ 586</u>	<u>\$ 955</u>	<u>\$ -</u>	<u>\$ 955</u>

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

**Powhaton Road Metropolitan District No. 2**

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

For the Year Ended December 31, 2022

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 267,131	\$ 267,131	\$ -
Specific ownership taxes	21,370	16,864	(4,506)
Interest income	-	519	519
Facility Fees	420,000	-	(420,000)
Total Revenues	708,501	284,514	(423,987)
<b>EXPENDITURES</b>			
Transfer to Authority	681,668	265,043	416,625
Treasurer's fees	4,009	4,009	-
Aurora Regional Mill levy	15,326	15,093	233
Contingency	6,844	-	6,844
Emergency reserve	114	-	114
Total Expenditures	707,961	284,145	423,816
<b>NET CHANGE IN FUND BALANCE</b>	540	369	(171)
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	-	-	-
END OF YEAR	\$ 540	\$ 369	\$ (171)

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

## Powhaton Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

#### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Powhaton Road Metropolitan District No. 2 (“District”), located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was initially organized as Sand Creek Ranch Metropolitan District No. 2 on January 9, 2004 as a quasi-municipal organization established under the State of Colorado Special District Act. On May 31, 2013 an order was recorded to change the name of the District from Sand Creek Ranch Metropolitan District No. 2 to Powhaton Road Metropolitan District No. 2. The District was organized in conjunction with Powhaton Road Metropolitan District No. 1 (formerly known as Sand Creek Ranch Metropolitan District No. 1) (“District No. 1”), Powhaton Road Metropolitan District No. 3 (formerly known as Sand Creek Ranch Metropolitan District No. 3) (“District No. 3”), Powhaton Road Metropolitan District No. 4 (formerly known as Starfall Metropolitan District No. 2) (“District No. 4”), Powhaton Road Metropolitan District No. 5 (formerly known as Starfall Metropolitan District No. 2) (“District No. 5”), Powhaton Road Metropolitan District No. 6 (formerly known as Trails at First Creek Metropolitan District No. 2) (“District No. 6”), and Powhaton Road Metropolitan District No. 7 (formerly known as Trails at First Creek Metropolitan District No. 2) (“District No. 7”) and, together with the District, District No. 1, District No. 3, District No. 4, District No. 5, District No. 6 and District No. 7, the “Districts”) pursuant to an Amended and Restated Service Plan for the Districts approved by the City Council of the City of Aurora on July 22, 2013 (the “Service Plan”). The Districts were formed for the purpose of financing the construction of part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The District is governed by an elected Board of Directors.

On March 24, 2021 the Districts, together with Powhaton Road Metropolitan District Nos. 8-11 (f/k/a Sun Meadows Metropolitan District Nos. 1-4) (together with the “Districts” the “Powhaton Districts”) approved the Agreement Establishing the Powhaton Community Authority (“Establishment Agreement”) whereby the Powhaton Districts created the “Powhaton Community Authority” (“Authority”). The Authority was organized to incur financial obligations on behalf of the Powhaton Districts and to provide any services permitted by the Service Plans for the Powhaton Districts.



## Powhatan Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

On April 14, 2021, the Powhatan Districts and the Authority also approved the “Operating Agreement”. The Operating Agreement, consistent with the Establishment Agreement, establishes the procedures by which the Authority will undertake the ownership, operation, maintenance and repair of public improvements, ongoing covenant enforcement, design review and maintenance services, as well as certain administrative services on behalf of all of the Powhatan Districts. As a result, the District Coordinating Services IGA was terminated and District No. 1 no longer serves as the coordinating district.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity.

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

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

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

#### Basis of Presentation

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

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

## Powhatan Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

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

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

## Powhaton Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

#### Budgetary Accounting

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

The District amended its total appropriations in the Debt Service Fund from \$849,553 to \$15,302,362 due to the repayment of the Series 2019A Bonds and the Series 2019B Bonds.

#### Assets, Liabilities and Net Position

##### Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

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

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

##### Estimates

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

## Powhaton Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

#### Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Long-Term Obligations

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

#### Fund Equity

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

#### Nonspendable Fund Balance

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

#### Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$128 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$586 is restricted for the payment of the debt service costs associated with the Capital Pledge Agreement.

## Powhatan Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

#### Committed Fund Balance

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

#### Assigned Fund Balance

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

#### Unassigned Fund Balance

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

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

#### Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. The District has no such balance to report at December 31, 2022.

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

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

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

Powhaton Road Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2022

Note 2: Cash and Investments

As of December 31, 2022, cash is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments -restricted	\$ <u>77,004</u>
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Cash and investments as of December 31, 2022, consist of the following:

COLOTRUST	\$ <u>77,004</u>
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Deposits

Custodial Credit Risk

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

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

Investments

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

Credit Risk

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

Powhaton Road Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2022

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

As of December 31, 2022, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2022, the District had \$77,004 invested in COLOTRUST Plus+.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2022, is as follows:

\$9,515,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A and \$1,410,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B

On February 14, 2019, the District issued its \$9,515,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2019A (Series 2019A Bonds) and its \$1,410,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B ("Series 2019B Bonds" and together with the Series 2019 A Bonds, the "Bonds") for the purpose of funding and reimbursing a portion of the costs of acquiring, constructing and/or installing certain public infrastructure, paying the cost of issuance of the Bonds, and, with respect to the Series 2019A Bonds only, funding the Senior Reserve Fund and funding a portion of interest to accrue on the Series 2019A Bonds.

Powhatan Road Metropolitan District No. 2

Notes to Financial Statements  
December 31, 2022

The Series 2019A Bonds bore interest at the rate of 5.625%, payable semiannually on each June 1 and December 1, commencing on June 1, 2019. The Series 2019B Bonds bore interest at the rate of 7.750% which compounded on unpaid amounts, payable annually on December 15, commencing on December 15, 2019, to the extent that Subordinate Pledged Revenue was available. The Series 2019A Bonds were subject to a mandatory sinking fund redemption commencing on December 1, 2024 and were subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2019B Bonds were subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

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

On September 20, 2022, the Authority issued a Taxable (Convertible to Tax-Exempt) Limited Tax Supported (D2) Revenue Refunding Note Series 2022 (the “2022 Note”) in the principal amount of \$10,495,000. The proceeds from the 2022 Note were transferred to the District to refund the District’s 2019A and 2019B Bonds which have been fully refunded. The Authority and the District entered into a Capital Pledge Agreement whereby the District agreed to levy on all of the taxable property in the District an amount to provide for the payment of the Financing Costs of the 2022 Note in exchange for the proceeds used to refund its Bonds.

The following is an analysis of changes in long-term debt for the period ending December 31, 2022:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022	Current Portion
<b><u>General Obligation Bonds</u></b>					
Series 2019A Bonds	\$ 9,515,000	\$ -	\$ 9,515,000	\$ -	\$ -
Series 2019B Bonds	1,410,000	-	1,410,000	-	-
Total	<u>\$10,925,000</u>	<u>\$ -</u>	<u>\$10,925,000</u>	<u>\$ -</u>	<u>\$ -</u>



## Powhatan Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

#### Debt Authorization

As of December 31, 2022, the District had remaining voted debt authorization of approximately \$845,575,000. The District has not budgeted to issue new debt during 2022. Per the District's Service Plan, the Districts, cannot issue aggregate debt in excess of \$200,000,000.

#### Note 4: District Agreements

##### Capital Pledge Agreement

On September 20, 2022 the District entered into a Capital Pledge Agreement with the Authority. whereby the District agreed to levy on all of the taxable property in the District an amount to provide for the payment of the Financing Costs of the 2022 Note in exchange for the proceeds used to refund its Bonds.

##### Infrastructure Acquisition and Reimbursement Agreement

On February 1, 2019 the District and the Developer entered into an Infrastructure Acquisition Agreement (the "Acquisition Agreement") pursuant to which the District agreed to reimburse the Developer from the proceeds of loans or bonds issued by the District, and/or other legally available funds of the District not otherwise required for reasonable operating costs of the District for costs related to the provision of certain public infrastructure within and without the boundaries of the District that may be lawfully funded by the District under the Special District Act and the Service Plan, including a construction management fee not to exceed 8% and costs related to the formation of the District (the "District Eligible Costs"). With the Authority's issuance of the Series 2022 Loan (Note 3), this agreement was terminated by the District.

##### Operating Agreement

On April 14, 2021, the Powhatan Districts and the Authority approved the "Operating Agreement". The Operating Agreement, consistent with the Establishment Agreement, establishes the procedures by which the Authority will undertake the ownership, operation, maintenance and repair of public improvements, ongoing covenant enforcement, design review and maintenance services, as well as certain administrative services on behalf of all of the Powhatan Districts.

## Powhaton Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

#### Facility Fee Resolution

On August 3, 2018, the District adopted a Resolution Concerning the Imposition of the Facilities Fee which was recorded in the real property records of the County on August 7, 2018 (the “Facilities Fees Resolution”), pursuant to which the District imposed a one-time fee in the amount of \$3,000 on each residential unit, including condominium, townhome, and any other attached dwelling unit and detached single family dwelling unit located within the District’s boundaries (the “Facilities Fees”). A Facilities Fee is due and owing upon issuance of a building permit for any residential unit and revenue generated by the Facilities Fees is required to be used by the District solely for the purpose of paying the costs of acquisition, installation, construction, repair, operations and maintenance of Public Improvements. The Facilities Fees constitute the Excluded Fees for purposes of the Indentures (but solely to the extent not in excess of the amount imposed pursuant to the Facilities Fee Resolution, without amendment) and, therefore, are not pledged to the payment of the Bonds. No Facility Fees were collected in 2022.

#### Intergovernmental Agreement with City of Aurora

The District entered into an Amended and Restated Intergovernmental Agreement with the City of Aurora dated July 13, 2013, as amended on March 4, 2019 (the “IGA”) for the purpose of clarifying the services which the District may provide under the Service Plan, as well as those services which the District is prohibited from providing. The IGA was amended on March 4, 2019 to allow the District to own, operate, and maintain Public Improvements not otherwise required to be dedicated to the City or other public entity. Pursuant to the IGA and the Service Plan, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (ARI) Authority or to the City under certain circumstances.

#### Note 5: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

## Powhaton Road Metropolitan District No. 2

### Notes to Financial Statements December 31, 2022

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

#### Note 6: Risk Management

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

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

#### Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 2) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

## Powhatan Road Metropolitan District No. 2

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

For the Year Ended December 31, 2022

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 781,581	\$ 781,581	\$ 781,581	\$ -
Specific ownership taxes	62,972	62,972	49,343	(13,629)
Interest income	<u>5,000</u>	<u>3,921</u>	<u>11,598</u>	<u>7,677</u>
Total Revenues	<u>849,553</u>	<u>848,474</u>	<u>842,522</u>	<u>(5,952)</u>
<b>EXPENDITURES</b>				
Bond interest expense	830,329	267,609	267,609	-
Transfer to Authority	-	-	472,885	(472,885)
Trustee fees	7,000	-	-	-
Treasurer's fees	<u>11,724</u>	<u>11,730</u>	<u>11,730</u>	<u>-</u>
Total Expenditures	<u>849,053</u>	<u>279,339</u>	<u>752,224</u>	<u>(472,885)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	500	569,135	90,298	(478,837)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Authority	-	12,495,000	10,133,771	(2,361,229)
Payment to refunding escrow	<u>-</u>	<u>(15,023,023)</u>	<u>(12,133,906)</u>	<u>2,889,117</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,528,023)</u>	<u>(2,000,135)</u>	<u>527,888</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	500	(1,958,888)	(1,909,837)	49,051
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>1,910,423</u>	<u>1,958,888</u>	<u>1,910,423</u>	<u>(48,465)</u>
END OF YEAR	<u>\$ 1,910,923</u>	<u>\$ -</u>	<u>\$ 586</u>	<u>\$ 586</u>

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

**Powhatan Road Metropolitan District No. 2**

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2022

<u>Year Ended</u> <u>December 31,</u>	<b>Prior</b> <b>Year Assessed</b> <b>Valuation</b> <b>for Current</b> <b>Year Property</b> <b>Tax Levy</b>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>Fund</u>	<u>Debt Service</u>	<u>Contractual</u>	<u>Levied</u>	<u>Collected</u>	
2019	\$ 1,377,258	60.000	0.000	0.000	\$ 82,635	\$ 82,635	100.00%
2020	\$ 8,742,000	15.000	50.000	1.000	\$ 576,972	\$ 573,109	99.33%
2021	\$ 9,199,251	15.000	51.294	1.025	\$ 619,284	\$ 619,188	99.98%
2022	\$ 14,041,045	18.000	55.664	1.025	\$ 1,048,712	\$ 1,048,712	100.00%
Estimated for year ending December 31, 2023	\$ 15,777,975	18.000	42.000	1.132	\$ 964,539		

**NOTE**

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