

POLO RESERVE METROPOLITAN DISTRICT
Arapahoe County, CO

FINANCIAL STATEMENTS
December 31, 2019

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Polo Reserve Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Polo Reserve Metropolitan District as of and for the year ended December 31, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Polo Reserve Metropolitan District, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polo Reserve Metropolitan District's financial statements as a whole. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund is the responsibility of management and was derived from and relate 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 to 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.

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

April 23, 2020
Brighton, Colorado

Management's Discussion and Analysis

Polo Reserve Metropolitan District

Management's Discussion and Analysis

Introduction:

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

Overview of the Financial Statements of the District:

The audited financial statements of the District are:

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

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

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

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

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

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

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

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

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

Condensed Comparative Financial Information:

Statement of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets			
Cash and cash equivalents	\$ 394,186	\$ 374,774	\$ 334,067
Other current assets	224,404	225,401	220,818
	<u>618,590</u>	<u>600,175</u>	<u>554,885</u>
Non Current Assets			
Capital assets – net	1,475,774	1,504,481	1,549,526
Total Assets	<u>2,094,364</u>	<u>2,104,656</u>	<u>2,104,411</u>
Current Liabilities	113,583	125,869	105,957
Non current liabilities	240,000	350,000	455,000
Total Liabilities	<u>353,583</u>	<u>475,869</u>	<u>560,957</u>
Deferred Inflows of Resources			
Deferred property taxes	209,548	215,993	210,597
Total Deferred Inflows of resources	<u>209,548</u>	<u>215,993</u>	<u>210,597</u>
Net Position			
Net investment in capital assets	1,125,774	1,049,481	994,526
Restricted	5,801	4,822	5,561
Unrestricted	399,658	358,491	332,770
Total Net Position	<u>\$ 1,531,233</u>	<u>\$ 1,412,794</u>	<u>\$ 1,332,857</u>

Statement of Activities

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Program Expenses	\$ 209,639	\$ 204,702	\$ 244,589
Program Revenues	98,270	67,628	86,697
Net Program Revenue (Expense)	<u>(111,369)</u>	<u>(137,074)</u>	<u>(157,892)</u>
General Revenues	229,808	217,011	227,208
Change in Net Position	118,439	79,937	69,316
Net Position, Beginning of Year	1,412,794	1,332,857	1,263,541
Net Position, End of Year	<u>\$ 1,531,233</u>	<u>\$ 1,412,794</u>	<u>\$ 1,332,857</u>

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

Discussion of Financial Position and Operating Activities

Net position at the end of December 2019 was \$1,531,233. This is from revenues that exceeded expenses by \$118,439.

The District restricted three percent (3%) of its non-debt service expenditures for emergencies in accordance with TABOR requirements. The District's total assets are comprised primarily of property taxes to be received in 2019, capital assets and cash.

The District's total liabilities are comprised primarily of its obligations on its general obligation bonds. The District's deferred inflows of resources are comprised of deferred property taxes.

In 2019, program expenses exceeded program revenues by \$111,369. Net general revenues were \$229,808, which resulted in a positive increase in net position. See page 8 of the accompanying Financial Statements for details of these revenues and expenses.

Fund Discussion

The General Fund balance increased from \$371,793 in 2018 to \$407,590 in 2019. The fund balance includes \$5,801 for emergencies in accordance with TABOR requirements and \$3,939 that is classified as nonspendable. The assets are comprised primarily of property tax revenues to be realized in 2019, cash and cash equivalents.

Total General Fund revenues exceeded expenditures by \$35,797 see page 10 of the accompanying financial statements for the details of the revenues and expenditures. The Debt Service Fund revenues exceeded expenditures by \$5,868 for the year resulting in a negative fund balance.

General Fund Budgetary Discussion

Actual revenues for the General Fund were \$25,340 more than the final budget. The budget was not amended in 2019.

Actual expenditures for 2019 were \$10,351 less than the final budgeted expenditures primarily because the contingency was not required. See page 11 of the accompanying financial statements for more detail.

Capital Assets and Long-term Obligations

Capital Assets. The District's primary capital assets are the polo fields that were purchased through the issuance of general obligation bonds. There was \$11,115 of additions or disposals in 2019. See Note 3 of the Notes to the Financial Statements on page 18.

Long-term Debt. During 2019, the District's long-term debt decreased due entirely to the \$105,000 principal repayment. For additional information on the District's long-term debt see Note 4 of the Notes to the Financial Statements on page 19.

Economic Factors and Next Year's Budget

Property tax revenues are expected to remain fairly constant, as little or no development has occurred in the District nor is any anticipated in the future.

Expenditures are expected to remain relatively the same, as administrative and legal efforts and management service costs are not expected to increase in 2020. There will be minimal costs for construction in 2020, as the District has completed its capital acquisition program.

Requests for Information. This financial report is designed to provide a general overview of Polo Reserve Metropolitan District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the District at c/o Dennis Hogan & Associates, P.C., 6881 South Holly Circle, Suite 205, Centennial, CO 80112.

Basic Financial Statements

Polo Reserve Metropolitan District
Statement of Net Position
December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 394,186
Accounts receivable	9,646
Amounts due from Arapahoe County	1,271
Prepaid expenses	3,939
Property taxes receivable	<u>209,548</u>
Total Current Assets	<u>618,590</u>

Noncurrent Assets

Capital assets	
Nondepreciable	1,249,714
Depreciable	588,085
Less: Accumulated depreciation	<u>(362,025)</u>
Net Capital Assets	<u>1,475,774</u>
Total Noncurrent Assets	<u>1,475,774</u>
Total Assets	<u>2,094,364</u>

Liabilities

Current Liabilities

Accounts payable	1,979
Accrued interest	1,604
Long-term debt, current portion	<u>110,000</u>
Total Current Liabilities	<u>113,583</u>

Noncurrent Liabilities

Long-term debt	<u>240,000</u>
Total Liabilities	<u>353,583</u>

Deferred Inflows of Resources

Deferred property tax revenue	<u>209,548</u>
Total Deferred Inflows of Resources	<u>209,548</u>

Net Position

Net investment in capital assets	1,125,774
Restricted for emergencies	5,801
Unrestricted	<u>399,658</u>
Total Net Position	<u>\$ 1,531,233</u>

The accompanying notes are an integral part of these financial statements

**Polo Reserve Metropolitan District
Statement of Activities
For the Year Ended December 31, 2019**

Program Expenses	
Landscape maintenance	\$ 58,306
Utilities	18,576
Repairs and maintenance	32,000
Audit and accounting	11,909
Office expenses and bank charges	815
Insurance	3,855
Legal	18,147
Reserve study	1,665
Interest expense	24,544
Depreciation	39,822
Total Program Expenses	<u>209,639</u>
 Program Revenue	
HOA cost sharing	36,486
User fees	10,351
J-5 reimbursements and annual fee	36,079
Polo lease income	14,608
Miscellaneous income	746
Total Program Revenues	<u>98,270</u>
 Net Program Revenue / (Expense)	 <u>(111,369)</u>
 General Revenue (Expense)	
Property taxes	215,942
Specific ownership taxes	16,933
Interest income	175
Treasurer's fees	(3,242)
Total General Revenue (Expense)	<u>229,808</u>
 Change in Net Position	 118,439
Net Position, beginning of year	1,412,794
Net Position, end of year	<u><u>\$ 1,531,233</u></u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Polo Reserve Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2019**

	General	Debt Service	Total Governmental Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 394,186	\$ -	\$ 394,186
Accounts receivable	9,646	-	9,646
Amounts due from Arapahoe County	1,271	-	1,271
Prepaid expenses	3,939	-	3,939
Due from other funds	527	-	527
Property taxes receivable	77,996	131,552	209,548
Total Assets	\$ 487,565	\$ 131,552	\$ 619,117
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,979	\$ -	\$ 1,979
Due to other funds	-	527	527
Total Liabilities	1,979	527	2,506
Deferred Inflows of Resources			
Deferred property tax revenue	77,996	131,552	209,548
Total Deferred Inflows of Resources	77,996	131,552	209,548
Equity			
Fund Balance			
Nonspendable	3,939	-	3,939
Restricted	5,801	-	5,801
Unassigned	397,850	(527)	397,323
Total Fund Balance	407,590	(527)	407,063
Total Liabilities, Equity and Deferred Inflows of Resources	\$ 487,565	\$ 131,552	\$ 619,117

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

Total Fund Balance	\$ 407,063
Amounts reported for governmental funds in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,475,774
Accrued interest on long-term debt does not require current financial resources therefore is not reported in the funds statements.	(1,604)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds statements.	(350,000)
Total Net Position	\$ 1,531,233

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

	General	Debt Service	Total Governmental Funds
Revenues			
Property taxes	\$ 77,978	\$ 137,964	\$ 215,942
Specific ownership taxes	16,933	-	16,933
Interest income	175	-	175
Polo lease income	14,608	-	14,608
HOA cost sharing	36,486	-	36,486
User fees	10,351	-	10,351
J-5 reimbursements and annual fee	36,079	-	36,079
Other income	746	-	746
Total Revenue	193,356	137,964	331,320
Expenditures			
Operations:			
Landscape maintenance	58,306	-	58,306
Utilities	18,576	-	18,576
Repairs and maintenance	32,000	-	32,000
Administrative:			
Audit and accounting	11,909	-	11,909
Office expenses and bank charges	815	-	815
Insurance	3,855	-	3,855
Legal	18,147	-	18,147
Reserve study	1,665	-	1,665
Treasurer's fees	1,171	2,071	3,242
Capital Outlay	11,115	-	11,115
Debt Service:			
Bond principal	-	105,000	105,000
Bond interest	-	25,025	25,025
Total Expenditures	157,559	132,096	289,655
Revenue Over (Under) Expenditures	35,797	5,868	41,665
Fund Balance, beginning of year	371,793	(6,395)	365,398
Fund Balance, end of year	\$ 407,590	\$ (527)	\$ 407,063

Total Change in Fund Balance Governmental Fund \$ 41,665

Depreciation expense reported in the Statement of Activities does not require the use of current financial resources therefore is excluded from the fund statements. (39,822)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported in the fund statements.

 Accrued interest 481

The purchase of capital assets is an expenditure in the fund statements but 11,115

Repayment of bond principal is an expenditure in the fund statements but reduces 105,000

Change in Net Position of Governmental Activities **\$ 118,439**

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2019

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 77,996	\$ 77,978	\$ (18)
Specific ownership taxes	16,300	16,933	633
Interest income	-	175	175
J-5 annual fee	9,000	9,000	-
HOA cost sharing	22,200	36,486	14,286
J-5 reimbursements	16,820	27,079	10,259
Fees in lieu of taxes	10,500	10,351	(149)
Polo lease income	14,600	14,608	8
Town of Columbine reimbursement	600	625	25
Miscellaneous	-	121	121
Total Revenue	168,016	193,356	25,340
Expenditures			
Operations:			
Landscape maintenance	54,500	58,306	(3,806)
Utilities	15,300	18,576	(3,276)
Repairs and maintenance	23,300	32,000	(8,700)
Property management	7,000	-	7,000
Administrative:			
Audit and accounting	13,300	11,909	1,391
Office expenses and bank charges	1,000	815	185
Insurance	3,800	3,855	(55)
Legal	21,000	18,147	2,853
Reserve Study	3,510	1,665	1,845
Interest expense	1,000	-	1,000
Treasurer's fees	1,200	1,171	29
Capital Outlay	-	11,115	(11,115)
Contingency	23,000	-	23,000
Total Expenditures	167,910	157,559	10,351
Revenue Over (Under) Expenditures	\$ 106	\$ 35,797	\$ 35,691

The accompanying notes are an integral part of these financial statements

Polo Reserve Metropolitan District
Notes to Financial Statements
December 31, 2019

Note 1 Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

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

Basis of Presentation

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

Government-wide Financial Statements

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

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

Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Fund Type

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

Debt Service Fund- accounts for the revenues received that are restricted to the repayment of debt and expenditures incurred for the purposes of debt repayment. The District has elected to treat this as a major fund.

Measurement Focus

Government-wide Financial Statement

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

Fund Financial Statements

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

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

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

Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

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

Revenue

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

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

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

Property Taxes

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

Expenses/Expenditures

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

Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

Assets and Liabilities

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

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

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

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

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

Accrued Liabilities and long-Term Obligation

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

Deferred Inflows of Resources and Deferred Outflows of Resources

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

Net Position

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

a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019**

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

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

Fund Balance

Nonspendable- consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$3,939 as of December 31, 2019.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 4). A reservation of \$5,801 of the General Fund balance has been made in compliance with this requirement.

Committed- General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2019.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2019, the assigned fund balance was \$0.

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

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

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end. The debt service budget was amended in 2019.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019**

Note 1 Summary of Significant Accounting Policies (Continued)

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

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

Use of Estimates in the Preparation of Financial Statements

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

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2019, the District's cash deposits had a carrying balance of \$394,186 with a corresponding bank balance of \$394,599, \$250,000 of which is federally insured.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District had \$144,599 collateralized under PDPA.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the District's bank deposits were exposed to custodial credit risk.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019**

Note 2 Cash and Investments (Continued)

Investments

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

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

As of December 31, 2019, the Board had not adopted a formal investment policy.

Note 3 Capital Assets

A summary of changes to capital assets for 2019 is as follows:

	Balance at 12/31/2018	Additions	Deletions	Balance at 12/31/2019
Nondepreciable				
Land	\$ 1,249,714	\$ -	\$ -	\$ 1,249,714
Total Nondepreciable	<u>1,249,714</u>	<u>-</u>	<u>-</u>	<u>1,249,714</u>
Depreciable				
Fence	5,500	-	-	5,500
Irrigation System	499,433	-	-	499,433
Equipment	72,037	11,115	-	83,152
Total Depreciable	<u>576,970</u>	<u>11,115</u>	<u>-</u>	<u>588,085</u>
TOTAL	<u>1,826,684</u>	<u>11,115</u>	<u>-</u>	<u>1,837,799</u>
Less Accumulated Depreciation				
Fence	(5,500)	-	-	(5,500)
Irrigation System	(255,245)	(39,112)	-	(294,357)
Equipment	(61,458)	(710)	-	(62,168)
Total Accumulated Depreciation	<u>(322,203)</u>	<u>(39,822)</u>	<u>-</u>	<u>(362,025)</u>
Net Capital Assets	<u>\$ 1,504,481</u>	<u>\$ (28,707)</u>	<u>\$ -</u>	<u>\$ 1,475,774</u>

Depreciation expense for the year ended December 31, 2019 was \$39,822.

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019**

Note 4 Long-term Debts

The District's long-term debt is as follows:

Series 2003 General Obligation Limited Tax Bonds totaling \$1,550,000 dated February 1, 2003, with interest of 2.25% to 5.50%. The mill levy for the bonds is capped at 40 mills subject to certain adjustments as more particularly set forth in the District's approved Service Plan and in the Resolution authorizing the issuance of the bonds. Interest is payable semiannually on June 1 and December 1. Bonds maturing on and after December 1, 2014, are subject to prior redemption at par value. Changes in Long-term Debt during 2019 were as follows:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amounts Due Within One Year
Series 2003 Bonds	\$ 455,000	\$ -	\$ (105,000)	\$ 350,000	\$ 110,000
Total Long-term Debt	<u>\$ 455,000</u>	<u>\$ -</u>	<u>\$ (105,000)</u>	<u>\$ 350,000</u>	<u>\$ 110,000</u>

Future debt service requirements are as follows:

Year ending December 31,	Principal	Interest	Total
2020	\$ 110,000	\$ 19,250	\$ 129,250
2021	115,000	13,200	128,200
2022	<u>125,000</u>	<u>6,875</u>	<u>131,875</u>
Total	<u>\$ 350,000</u>	<u>\$ 39,325</u>	<u>\$ 389,325</u>

Note 5 Operations and Maintenance Mill Levy

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

Note 6 Tax, Spending, and Debt Limitation

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

**Polo Reserve Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2019**

Note 6 Tax, Spending, and Debt Limitation (Continued)

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

TABOR requires local governments to establish emergency reserves, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. This District had an emergency reserve of \$5,801 as of December 31, 2019.

Note 7 Risk Management

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

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

Note 8 Commitments and Contingencies

As of December 31, 2019, the District has several contracts for services provided to the District. The District has contracts for water and landscape maintenance with various local vendors in which payments are determined by the amount of the services provided.

Other Supplemental Information

Polo Reserve Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 137,997	\$ 137,997	\$ 137,964	\$ (33)
Total Revenue	<u>137,997</u>	<u>137,997</u>	<u>137,964</u>	<u>(33)</u>
Expenditures				
Bond interest	25,025	25,025	25,025	-
Bond principal	105,000	105,000	105,000	-
Treasurer's fees	2,000	2,071	2,071	-
Total Expenditures	<u>132,025</u>	<u>132,096</u>	<u>132,096</u>	<u>-</u>
Revenue Over (Under) Expenditures	<u>\$ 5,972</u>	<u>\$ 5,901</u>	<u>\$ 5,868</u>	<u>\$ (33)</u>

The accompanying notes are an integral part of these financial statements