

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT

Adams County, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Village at SouthGate Metropolitan District
Adams County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Village at SouthGate Metropolitan District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Operations and Maintenance Fee Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplemental Information, as listed in the table of contents, is presented for purposes of additional analysis 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Dussio & Associates, P.C.

September 12, 2022

BASIC FINANCIAL STATEMENTS

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	\$ 20,808
Cash and investments - restricted	761,413
Due from County Treasurer	1,387
Operations and maintenance fees receivable	19,065
Prepaid expenses	1,500
Property taxes receivable	438,296
Total assets	1,242,469
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
LIABILITIES	
Accounts payable	38,870
Accrued bond interest payable	19,453
Bonds and unpaid interest payable:	
Due in more than one year	4,953,449
Developer advances and accrued interest payable:	
Due in more than one year	256,083
Total liabilities	5,267,855
 DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes revenues	438,296
Total deferred inflows of resources	438,296
 NET POSITION	
Restricted:	
Emergency reserves	4,331
Debt service	399,164
Unrestricted	(4,867,177)
Total net position	\$ (4,463,682)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 151,619	\$ 93,275	\$ -	\$ -	\$ (58,344)
Interest and fiscal charges	317,508	-	-	120,000	(197,508)
Total governmental activities	<u>\$ 469,127</u>	<u>\$ 93,275</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>(255,852)</u>
General revenues:					
Taxes:					
Property taxes					237,575
Specific ownership taxes					18,578
Net investment income					745
Total general revenues					<u>256,898</u>
Change in net position					1,046
Net position - Beginning of year					<u>(4,464,728)</u>
Net position - End of year					<u>\$ (4,463,682)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021**

	General	Operations & Maintenance Fee Special Revenue	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	\$ 2,824	\$ 17,984	\$ -	\$ 20,808
Cash and investments - restricted	-	-	761,413	761,413
Due from County Treasurer	277	-	1,110	1,387
Operations and maintenance fees receivable	-	19,065	-	19,065
Prepaid expenditures	1,500	-	-	1,500
Property taxes receivable	87,661	-	350,635	438,296
TOTAL ASSETS	<u>\$ 92,262</u>	<u>\$ 37,049</u>	<u>\$ 1,113,158</u>	<u>\$ 1,242,469</u>
LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 16,083	\$ 22,787	\$ -	\$ 38,870
Total liabilities	<u>16,083</u>	<u>22,787</u>	<u>-</u>	<u>38,870</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenues	87,661	-	350,635	438,296
Total deferred inflows of resources	<u>87,661</u>	<u>-</u>	<u>350,635</u>	<u>438,296</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	1,500	-	-	1,500
Spendable:				
Restricted for emergencies	1,539	2,792	-	4,331
Restricted for debt service	-	-	762,523	762,523
Committed for operations and maintenance	-	11,470	-	11,470
Unassigned	(14,521)	-	-	(14,521)
Total fund balances	<u>(11,482)</u>	<u>14,262</u>	<u>762,523</u>	<u>765,303</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 92,262</u>	<u>\$ 37,049</u>	<u>\$ 1,113,158</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Accrued bond interest payable	(19,453)
Bonds and unpaid bond interest payable	(4,953,449)
Developer advances and interest payable	(256,083)
	<u>(5,228,985)</u>

Net position of governmental activities \$ (4,463,682)

These financial statements should be read only in connection with the accompanying notes to financial statements.

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	General	Operations & Maintenance Fee Special Revenue	Debt Service	Total Governmental Funds
REVENUES				
Property tax	\$ 47,516	\$ -	\$ 190,059	\$ 237,575
Specific ownership tax	3,716	-	14,862	18,578
Facility fees	-	-	120,000	120,000
Net investment income	69	-	676	745
Operations and maintenance fees	-	93,075	-	93,075
Barn and Silo rental fees	-	200	-	200
Total revenues	<u>51,301</u>	<u>93,275</u>	<u>325,597</u>	<u>470,173</u>
EXPENDITURES				
Current:				
Legal	26,214	2,930	-	29,144
Accounting	7,242	502	-	7,744
Management services	18,952	27,528	-	46,480
Audit	4,700	-	-	4,700
Engineering and consulting	8,624	-	-	8,624
Insurance and bonds	2,515	-	-	2,515
County Treasurer's fees	714	-	2,855	3,569
Office supplies and postage	99	-	-	99
Bank service charges	174	-	81	255
Dues and subscriptions	436	-	-	436
Landscape maintenance	-	7,730	-	7,730
Utilities:				
Water	-	39,097	-	39,097
Electricity - Silo	-	905	-	905
Electricity - Barn	-	321	-	321
Debt service:				
Paying agent fees	-	-	6,000	6,000
Interest and fiscal charges	-	-	324,360	324,360
Total expenditures	<u>69,670</u>	<u>79,013</u>	<u>333,296</u>	<u>481,979</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,369)</u>	<u>14,262</u>	<u>(7,699)</u>	<u>(11,806)</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	7,662	-	-	7,662
Total other financing sources (uses)	<u>7,662</u>	<u>-</u>	<u>-</u>	<u>7,662</u>
NET CHANGE IN FUND BALANCES	(10,707)	14,262	(7,699)	(4,144)
FUND BALANCES - BEGINNING OF YEAR	<u>(775)</u>	<u>-</u>	<u>770,222</u>	<u>769,447</u>
FUND BALANCES - END OF YEAR	<u>\$ (11,482)</u>	<u>\$ 14,262</u>	<u>\$ 762,523</u>	<u>\$ 765,303</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ (4,144)</u>
<p>Long-term debt (e.g. bonds, developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Developer advances	<u>(7,662)</u>
	<u>(7,662)</u>
<p>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 the governmental fund.</p>	
Change in unpaid bond interest payable	26,780
Change in developer advances interest payable	<u>(13,928)</u>
	<u>12,852</u>
Change in net position - Governmental activities	<u><u>\$ 1,046</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
Year Ended December 31, 2021

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 47,547	\$ 47,516	\$ (31)
Specific ownership tax	3,398	3,716	318
Net investment income	-	69	69
Total revenues	<u>50,945</u>	<u>51,301</u>	<u>356</u>
EXPENDITURES			
Legal	20,000	26,214	(6,214)
Accounting	9,000	7,242	1,758
Management services	14,000	18,952	(4,952)
Audit	4,700	4,700	-
Engineering and consulting	-	8,624	(8,624)
Insurance and bonds	2,600	2,515	85
County Treasurer's fees	713	714	(1)
Office supplies and postage	120	99	21
Bank service charges	120	174	(54)
Dues and subscriptions	400	436	(36)
Landscape maintenance	30,921	-	30,921
Snow removal	15,000	-	15,000
Utilities:			
Water	75,000	-	75,000
Electricity - Silo	2,000	-	2,000
Electricity - Barn	2,000	-	2,000
Contingency	4,177	-	4,177
Total expenditures	<u>180,751</u>	<u>69,670</u>	<u>111,081</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(129,806)</u>	<u>(18,369)</u>	<u>111,437</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	120,221	7,662	(112,559)
Total other financing sources (uses)	<u>120,221</u>	<u>7,662</u>	<u>(112,559)</u>
NET CHANGE IN FUND BALANCE	(9,585)	(10,707)	(1,122)
FUND BALANCE - BEGINNING OF YEAR	11,117	(775)	(11,892)
FUND BALANCE - END OF YEAR	<u>\$ 1,532</u>	<u>\$ (11,482)</u>	<u>\$ (13,014)</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - OPERATIONS AND MAINTENANCE FEE SPECIAL REVENUE FUND
Year Ended December 31, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Operations and maintenance fees	\$ -	\$ 80,160	\$ 93,075	\$ 12,915
Silo and barn rental fees	-	200	200	-
Operations contribution	-	5,500	-	(5,500)
Total revenues	<u>-</u>	<u>85,860</u>	<u>93,275</u>	<u>7,415</u>
EXPENDITURES				
Legal	-	3,000	2,930	70
Accounting	-	2,000	502	1,498
Management services	-	27,000	27,528	(528)
Landscape maintenance	-	23,191	7,730	15,461
Snow removal	-	15,000	-	15,000
Utilities:				
Water	-	42,000	39,097	2,903
Electricity - Silo	-	1,000	905	95
Electricity - Barn	-	300	321	(21)
Contingency	-	10,000	-	10,000
Total expenditures	<u>-</u>	<u>123,491</u>	<u>79,013</u>	<u>44,478</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(37,631)</u>	<u>14,262</u>	<u>51,893</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	-	37,799	-	(37,799)
Total other financing sources (uses)	<u>-</u>	<u>37,799</u>	<u>-</u>	<u>(37,799)</u>
NET CHANGE IN FUND BALANCE	-	168	14,262	14,094
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 168</u>	<u>\$ 14,262</u>	<u>\$ 14,094</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Village at SouthGate Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 25, 2014 and is governed pursuant to provisions of the Colorado Special District Act. The District's boundaries are located in Adams County, Colorado. The District was established to provide financing for the construction, operation and maintenance of public infrastructure improvements within the District's boundaries.

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

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.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 government 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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 *Operations and Maintenance Fee Special Revenue Fund* accounts for the resources accumulated from the imposition of the District's operations and maintenance fee upon the properties within the District's boundaries and the related expenditures.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to adopt the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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.

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

For the year ended December 31, 2021, supplementary appropriations approved by the District modified the appropriation from \$0 to \$123,491 for the Operations and Maintenance Fee Special Revenue Fund and from \$272,819 to \$362,491 for the Debt Service Fund.

Pooled Cash and Investments

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 funds' average equity balance in total cash. Investments are carried at fair value.

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 certified by December 15 to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or, if in equal installments, at the 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 inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund balance sheets 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/fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Property tax revenue that is related to a future period is recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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 amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

Operations and Maintenance Fee

The District imposes an operations and maintenance fee on the properties within the District's boundaries. The fee is billed quarterly in the amount of \$180 per quarter. Beginning on January 1, 2022, and each year after, the operations and maintenance fee is subject to a CPI adjustment. The operations and maintenance fee purpose is to defray the costs of maintaining public improvements that are used by or benefit the property owners, residents and taxpayers of the District, including, but not limited to, open space, trails and landscaping, and park and recreation improvements.

NOTE 3 - CASH AND INVESTMENTS

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

Statement of Net Position	
Cash and investments - unrestricted	\$ 20,808
Cash and investments - restricted	761,413
Total cash and investments	<u>\$ 782,221</u>

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

Cash Deposits

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

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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 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.

As of December 31, 2021, the District's cash deposits with financial institutions that had a bank balance of \$14,437 and carrying balance of \$14,437.

Investments

The District has not adopted a formal investment policy, however, the District follows state statutes regarding investments. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . 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

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

COLOTRUST

As of December 31, 2021, the District has invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST and/or the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor's and the EDGE portfolio is rated AAAf/S1 by Fitch Ratings. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at www.colotrust.com. The District had \$761,413 invested in the COLOTRUST Plus+ portfolio.

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Investment Valuation

The District's investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

Restricted Cash and Investments

As December 31, 2021, the District reports cash and investments in the amount of \$761,413 which are restricted for debt service on the District's outstanding bonds.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2021.

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Current Portion
Governmental Activities:					
Limited Tax G.O. Bonds:					
Series 2018A	\$ 4,150,000	\$ -	\$ -	\$ 4,150,000	\$ -
Subordinate Series 2018B	764,000	-	-	764,000	-
Accrued and unpaid interest:					
Subordinate Series 2018B	66,229	64,142	(90,922)	39,449	-
Developer Advances:					
PFG - Principal	131,098	2,737	-	133,835	-
PFG - Interest	33,253	9,362	-	42,615	-
ARCUS - Principal	60,860	4,925	-	65,785	-
ARCUS - Interest	9,282	4,566	-	13,848	-
	<u>\$ 5,214,722</u>	<u>\$ 85,732</u>	<u>\$ (90,922)</u>	<u>\$ 5,209,532</u>	<u>\$ -</u>

Limited Tax General Obligation Bonds Series 2018A

On May 7, 2018, the District issued \$4,150,000 Limited Tax General Obligation Bonds, Series 2018A to (i) finance public improvements related to a primarily residential development in the City of Brighton (City); (ii) pay capitalized interest on the 2018A Senior Bonds; (iii) fund the Senior Reserve Fund; and (iv) pay other costs in connection with the issuance of 2018A Senior Bonds. The bonds are term bonds maturing on December 1, 2048 and bear interest at 5.625%. Interest is due to be paid semiannually on June 1 and December 1, beginning in 2018 through 2048. The bonds are subject to mandatory annual sinking fund redemption on December 1 beginning in

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2023 through 2047, with final non-sinking fund redemption in 2048. The bonds are subject to redemption prior to maturity on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest and redemption premium as follows: 3.00% for dates of redemption December 1, 2023 to November 30, 2024; 2.00% for dates of redemption December 1, 2024 to November 30, 2025; 1.00% for dates of redemption December 1, 2025 to November 30, 2026; and no redemption premium on December 1, 2026 and thereafter.

The Series 2018A Senior Bonds are limited tax general obligations of the District secured by and payable from the Senior Pledged Revenue consisting of moneys derived by the District from the following sources, net of any costs of collection: (i) the Senior Property Tax Revenues derived from the imposition of the Senior Required Mill Levy; (ii) the Senior Specific Ownership Tax Revenues which is collected as a result of the imposition of the Senior Required Mill Levy; (iii) all Capital Fees consisting of all fees, rates, tolls, penalties, and charges of a capital nature for services, programs, or facilities furnished by the District, including particularly and without limitation, the Facility Fees (which are currently \$1,500 per multifamily lot and \$2,500 per single-family attached or detached lot; (iv) all Senior PILOT Revenues (payment in lieu of taxes) related to the Senior Required Mill Levy; and (v) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The Senior Required Mill Levy is defined as follows:

- (a) subject to paragraph (b) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues and Senior PILOT Revenues (if any) sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund and, solely to the extent provided in the 2018A Senior Indenture, the Senior Surplus Fund and the Senior Reserve Fund, respectively) and to replenish the Senior Reserve Fund to the Reserve Requirement, but not in excess of 40 mills; provided, however, that:
 - (i) for so long as the amount on deposit in the Senior Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 40 mills (subject to adjustment as described in clause (ii) below), or such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues and Senior PILOT Revenues (if any): (A) sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as the same become due and payable, to replenish the Senior Reserve Fund to the Reserve Requirement and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund, the Senior Surplus Fund and the Senior Reserve Fund, will pay the 2018A Senior Bonds in full in the year in which such levy is collected; and
 - (ii) in the event that the method of calculating assessed valuation is changed after October 7, 2014, the minimum mill levy of 40 mills and the maximum mill levy of 40 mills provided in the 2018A Senior Indenture will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent

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possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

- (b) notwithstanding anything in the 2018A Senior Indenture to the contrary, in no event may the Senior Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Senior Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Discharge of 2018A Senior Bonds on December 1, 2048:

Notwithstanding any other provision in the 2018A Senior Indenture, in the event that any amount of principal of or interest on the 2018A Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available therefor on December 1, 2048, the 2018A Senior Bonds and the lien of the 2018A Senior Indenture securing payment thereof shall be deemed discharged, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the 2018A Trustee shall cancel and discharge the lien of the 2018A Senior Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the 2018A Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the 2018A Senior Bonds remaining unpaid.

Subordinate Limited Tax General Obligation Bonds Series 2018B

On May 7, 2018, the District issued \$764,000 Subordinate Limited Tax General Obligation Bonds, Series 2018A to (i) finance public improvements related to a primarily residential development in the City of Brighton (City); and (ii) pay a portion of the underwriter's discount in connection with issuance of the 2018B Subordinate Bonds. The bonds are term bonds maturing on December 15, 2040 and bear interest at 7.75%. There are no regularly scheduled principal and interest payments on the 2018B Subordinate Bonds. Instead, (a) principal on the 2018B Subordinate Bonds is payable on the mandatory redemption dates (each December 15) from, and only to the extent of, Subordinate Pledged Revenue available therefore, if any, in accordance with the terms of the 2018B Subordinate Indenture and (b) interest on the 2018B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Pledged Revenue available therefor. The bonds are subject to redemption prior to maturity on December 15, 2023, and on any date thereafter, upon payment of par, accrued interest and redemption premium as follows: 3.00% for dates of redemption December 15, 2023 to December 14, 2024; 2.00% for dates of redemption December 15, 2024 to December 14, 2025; 1.00% for dates of redemption December 15, 2025 to December 14, 2026; and no redemption premium on December 15, 2026 and thereafter.

The Series 2018B Subordinate Bonds are limited tax general obligations of the District secured by and payable from the Subordinate Pledged Revenue consisting of moneys derived by the District from the following sources, net of any costs of collection: (i) the Subordinate Property Tax Revenues derived from the imposition of the Subordinate Required Mill Levy; (ii) the Subordinate

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Specific Ownership Tax Revenues which is collected as a result of the imposition of the Subordinate Required Mill Levy; (iii) all Subordinate Capital Fee Revenue consisting Capital Fees remaining after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Obligations; (iv) all Subordinate PILOT Revenues (payment in lieu of taxes) related to the Subordinate Required Mill Levy; and (v) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

The Subordinate Required Mill Levy is defined as follows:

An ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount equal to (i) 40 mills less the Senior Obligation Mill Levy, or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues and Subordinate PILOT Revenues (if any) which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the 2018B Subordinate Bonds in full in the year such levy is collected; provided however, that:

- (a) in the event that the method of calculating assessed valuation is changed after October 7, 2014, the mill levy of 40 mills (less the Senior Required Mill Levy) provided in the 2018B Subordinate Indenture will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and
- (b) notwithstanding anything in the 2018B Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate

Discharge of 2018B Subordinate Bonds on December 15, 2048:

Notwithstanding any other provision in the 2018B Subordinate Indenture, in the event that any amount of principal of or interest on the 2018B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2048, the 2018B Subordinate Bonds and the lien of the 2018B Subordinate Indenture securing payment thereof shall be deemed discharged, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the 2018B Trustee shall cancel and discharge the lien of the 2018B Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the 2018B Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the 2018B Subordinate Bonds remaining unpaid.

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Events of Default

The Indentures of the Limited Tax General Obligation Bonds Series 2018A and Subordinate Limited Tax General Obligation Bonds Series 2018B include defaults and remedies upon the occurrence of an Event of Default. The Events of Default include: a) the District fails or refuses to impose the Senior Required Mill Levy or Subordinate Required Mill Levy, as applicable, b) the District defaults in the performance or observance of any of the covenants, agreements or conditions in the Indenture or the Bond Resolution and fails to remedy the same after notice thereof, or c) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds. However it is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest of the bonds when due shall not, of itself, constitute an Event of Default.

The remedies available upon the occurrence of an event of default, the Trustee for the bonds may pursue receivership of the cash, securities, instruments held and revenues of the District, pursue a suit for judgment, and pursue mandamus or other suit.

Use of Proceeds

The District used a portion of the proceeds of the 2018A and 2018B bonds to: 1) reimburse the City of Brighton \$195,470.57 in accordance with an Intergovernmental Agreement Regarding the Reimbursement of Costs for the South Brighton Infrastructure Improvements between the District, City of Brighton, and PFG Acquisitions, LLC dated April 19, 2016, as subsequently assigned by PFG Acquisitions, LLC to ARCUS Southgate LLC on April 10, 2017, and 2) reimburse ARCUS Southgate LLC \$3,700,785 in accordance with an Infrastructure Acquisition Agreement between the District and PFG Acquisitions, LLC dated January 22, 2015 as subsequently partially assigned to ARCUS Southgate LLC on April 10, 2017.

The District's Limited Tax General Obligation Bonds Series 2018A are estimated to mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 233,437	\$ 233,437
2023	35,000	233,438	268,438
2024	45,000	231,469	276,469
2025	50,000	228,937	278,937
2026	55,000	226,125	281,125
2027-2031	380,000	1,076,625	1,456,625
2032-2036	580,000	948,094	1,528,094
2037-2041	850,000	756,563	1,606,563
2042-2046	1,205,000	479,531	1,684,531
2047-2048	950,000	90,562	1,040,562
	<u>\$ 4,150,000</u>	<u>\$ 4,504,781</u>	<u>\$ 8,654,781</u>

Due to the Subordinate Limited Tax General Obligation Bonds Series 2018B being subordinate to the 2018A bonds and are only payable to the extent there are available pledged revenues, a maturity schedule for the 2018B bonds has not been presented.

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The District's service plan limits the amount of debt that the District can issue to \$8,925,000. The service plan provides for an additional \$1,785,000 of debt upon approval by the City of Brighton City Manager, for a total of \$10,710,000. The District does not anticipate issuing any of the authorized but unissued debt during 2022.

The District's voter authorized but unissued debt as of December 31, 2021 is as follows:

<u>Purpose</u>	<u>Amount Authorized 11/4/2014</u>	<u>Series 2018A</u>	<u>Series 2018B</u>	<u>Authorized But Unissued</u>
		<u>Bonds Issued 5/7/2018</u>	<u>Bonds Issued 5/7/2018</u>	
Street	\$ 18,774,000	\$ (1,358,947)	\$ (266,739)	\$ 17,148,314
Parks and Recreation	18,774,000	(87,682)	(17,211)	18,669,107
Water	18,774,000	(663,058)	(101,143)	18,009,799
Storm Drainage and Sanitation	18,774,000	(2,040,313)	(378,907)	16,354,780
Transportation	18,774,000	-	-	18,774,000
Mosquito Control	18,774,000	-	-	18,774,000
Safety Protection	18,774,000	-	-	18,774,000
Fire Protection	18,774,000	-	-	18,774,000
TV Relay and Translation	18,774,000	-	-	18,774,000
Operations and Maintenance	18,774,000	-	-	18,774,000
Refunding Debt	18,774,000	-	-	18,774,000
District IGAs as Debt	18,774,000	-	-	18,774,000
	<u>\$ 225,288,000</u>	<u>\$ (4,150,000)</u>	<u>\$ (764,000)</u>	<u>\$ 220,374,000</u>

NOTE 5 – DEVELOPER ADVANCE AGREEMENTS

Advance and Reimbursement Agreement for Operation and Maintenance Costs

On January 22, 2015, the District and PFG Acquisitions, LLC ("PFG") entered into an "Advance and Reimbursement Agreement for Operation and Maintenance Costs" by and between Village at SouthGate Metropolitan District and PFG (the "Initial O&M Funding Agreement") under which PFG agreed to make certain advances to the District to fund operation and maintenance costs of the District ("O&M Costs"), and under which the District agreed to reimburse PFG for O&M Costs advanced by PFG, together with interest at 7% per annum. On April 10, 2017, PFG assigned certain of its rights under the Initial O&M Funding Agreement to ARCUS Southgate LLC ("ARCUS") under the "Partial Assignment of Advance and Reimbursement Agreement for Operation and Maintenance Costs and Consent" (the "O&M Assignment"; the Initial O&M Funding Agreement, as amended by the O&M Assignment, is referred to herein as the "O&M Funding and Reimbursement Agreement") between PFG and ARCUS, such that the 50% of the reimbursement obligations of the District for O&M Costs would be payable to the ARCUS, and ARCUS would have the obligation to fund 50% of the advances for O&M Costs under the Initial O&M Funding Agreement. Reimbursement of O&M Costs are anticipated to be made by the District, subject to annual appropriation and budget approval, from funds available within any fiscal year and otherwise required for operations, capital improvements and debt service costs and expenses of the District; notwithstanding the foregoing, a portion or all of the Bond proceeds may be used by the District to repay PFG and ARCUS for advanced O&M Costs. As of December 31, 2021, the outstanding principal and interest payable to PFG were \$133,835 and \$42,615, respectively. As

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of December 31, 2021, the outstanding principal and interest payable to ARCUS were \$65,785 and \$13,848, respectively.

NOTE 6 - FUND EQUITY

As of December 31, 2021, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$1,500 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the amount of \$1,539 and \$2,792 in the General Fund and Operations and Maintenance Fee Special Revenue Fund, respectively, is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

The restricted fund balance in the Debt Service Fund in the amount of \$762,523 is to be used exclusively for debt service requirements (see Note 4).

Committed Fund Balance

The committed fund balance in the Operations and Maintenance Fee Special Revenue Fund is to be used to defray the costs of maintaining public improvements that are used by or benefit the property owners, residents and taxpayers of the District.

Deficit Fund Balance

As of December 31, 2021 the General Fund had a deficit fund balance of (\$11,482). This deficit has been eliminated by property taxes collected in 2022.

NOTE 7 - NET POSITION

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

Restricted assets include net position 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, 2021 as follows:

Restricted:	
Emergencies	\$ 4,331
Debt service	<u>399,164</u>
	<u><u>\$ 403,495</u></u>

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In the government-wide financial statements, the District's had an unrestricted net position deficit of (\$4,867,177) as a result of capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 8 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended from time to time, the District may be 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 (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, and public officials' liability. 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.

NOTE 9 - 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 that 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.

On November 4, 2014 the voters of the District approved the following ballot measures:

Shall the Village at SouthGate Metropolitan District taxes be increased \$500,000 annually (such tax increase to be collected in such amount notwithstanding any property tax cut specified by Article X, Section 20 of the Colorado Constitution, as it currently exists or as amended) or such lesser amount as necessary to pay the District's administration and operations and maintenance expenses, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2015 and in each fiscal year thereafter as a voter-approved revenue changes without regard to any spending, revenue-

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raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S, in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall the Village at SouthGate Metropolitan District taxes be increased \$500,000 annually (such tax increase to be collected in such amount notwithstanding any property tax cut specified by Article X, Section 20 of the Colorado Constitution, as it currently exists or as amended) or such lesser amount as necessary to pay the District's administration and operations and maintenance expenses, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue changes without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S, in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall Village at SouthGate Metropolitan District be authorized to collect, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, gifts, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during fiscal year 2014 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

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 10 – RELATED PARTIES

Two of the members of the Board of Directors of the District are employees, owners or associated with PFG Acquisitions, LLC and may have conflicts of interest in dealing with the District. Specific details of transactions with PFG Acquisitions, LLC regarding advances are described elsewhere in these notes to financial statements (see Note 5).

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND
Year Ended December 31, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	\$ 190,186	\$ 190,186	\$ 190,059	\$ (127)
Specific ownership tax	13,593	14,000	14,862	862
Facility fees	54,000	120,000	120,000	-
Net investment income	7,000	800	676	(124)
Total revenues	<u>264,779</u>	<u>324,986</u>	<u>325,597</u>	<u>611</u>
EXPENDITURES				
County Treasurer's fees	2,853	2,853	2,855	(2)
Bank service charges	800	200	81	119
Paying agent fees	6,000	6,000	6,000	-
Bond interest	258,438	333,438	324,360	9,078
Contingency	4,728	20,000	-	20,000
Total expenditures	<u>272,819</u>	<u>362,491</u>	<u>333,296</u>	<u>29,195</u>
NET CHANGE IN FUND BALANCE	(8,040)	(37,505)	(7,699)	29,806
FUND BALANCE - BEGINNING OF YEAR	<u>835,052</u>	<u>835,052</u>	<u>770,222</u>	<u>(64,830)</u>
FUND BALANCE - END OF YEAR	<u>\$ 827,012</u>	<u>\$ 797,547</u>	<u>\$ 762,523</u>	<u>\$ (35,024)</u>

OTHER INFORMATION

**VILLAGE AT SOUTHGATE METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2021**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2016	\$ 252,570	10.000	0.000	10.000	\$ 2,526	\$ 2,527	100.0%
2017	\$ 252,680	10.000	0.000	10.000	\$ 2,527	\$ 2,527	100.0%
2018	\$ 932,640	11.056 *	0.000	11.056 *	\$ 10,311	\$ 10,311	100.0%
2019	\$ 2,138,960	11.056 *	40.000	51.056 *	\$ 109,206	\$ 109,201	100.0%
2020	\$ 4,002,850	11.133 *	44.531 *	55.664 *	\$ 222,815	\$ 222,820	100.0%
2021	\$ 4,270,860	11.133 *	44.531 *	55.664 *	\$ 237,733	\$ 237,575	99.9%
Estimated for year ending December 31, 2022	\$ 7,873,950	11.133 *	44.531 *	55.664 *	\$ 438,296		

* - Mill levy adjusted for the effect of the Gallagher Amendment on the assessed value ratio.

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