

**ORCHARD VALLEY METROPOLITAN DISTRICT**  
**Arapahoe County, Colorado**  
—  
**FINANCIAL STATEMENTS**  
**December 31, 2016**

**L. PAUL GOEDECKE P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



**RECEIVED**

*By the Office of the State Auditor at 9:44 am, Aug 11, 2017*

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## **Independent Auditor's Report**

Board of Directors

**Orchard Valley Metropolitan District**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Orchard Valley Metropolitan District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **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 an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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 Orchard Valley Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates 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.

*L. Paul Goedecke P.C.*

L. Paul Goedecke, P.C.  
July 19, 2016

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION  
December 31, 2016**

	<b>General Fund</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS</b>			
Cash and investments	\$ 215,281	\$ -	\$ -
Cash and investments - restricted	2,500	-	1,993,697
Property taxes receivable - current	639	2,925	-
Property taxes receivable	112,031	-	-
Capital assets not being depreciated	-	-	-
	<b>Total assets</b>	<b>2,925</b>	<b>1,993,697</b>
<b>LIABILITIES</b>			
Accounts payable	7,136	-	130,054
Accrued interest on bonds	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
	<b>Total liabilities</b>	<b>-</b>	<b>130,054</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Property tax revenue	112,031	-	-
	<b>Total deferred inflow of resources</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>			
Restricted:			
Emergencies	2,500	-	-
Debt service	-	2,925	-
Capital projects	-	-	1,863,643
Unassigned	208,784	-	-
	<b>Total fund balances</b>	<b>2,925</b>	<b>1,863,643</b>
<b>Total liabilities and fund balance</b>	<b>\$ 330,451</b>	<b>\$ 2,925</b>	<b>\$ 1,993,697</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt			
Restricted for:			
Emergencies			
Capital projects			
Debt service			
Unrestricted			
<b>Total net position</b>			

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 215,281	\$ -	\$ 215,281
1,996,197	-	1,996,197
3,564	-	3,564
112,031	-	112,031
-	4,851,400	4,851,400
<u>2,327,073</u>	<u>4,851,400</u>	<u>7,178,473</u>
137,190	-	137,190
-	29,592	29,592
-	195,000	195,000
-	6,070,000	6,070,000
<u>137,190</u>	<u>6,294,592</u>	<u>6,431,782</u>
112,031	-	112,031
<u>112,031</u>	<u>-</u>	<u>112,031</u>
2,500	(2,500)	-
2,925	(2,925)	-
1,863,643	(1,863,643)	-
208,784	(208,784)	-
<u>2,077,852</u>	<u>(2,077,852)</u>	<u>-</u>
<u>\$ 2,327,073</u>		
	(1,443,192)	(1,443,192)
	2,500	2,500
	2,925	2,925
	1,863,643	1,863,643
	208,784	208,784
	<u>\$ 634,660</u>	<u>\$ 634,660</u>

*NOTE: The accompanying notes are an integral part of the financial statements.*

**ORCHARD VALLEY METROPOLITAN DISTRICT**

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

**For the Year Ended December 31, 2016**

	<u>Government Fund Types</u>		
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>EXPENDITURES/EXPENSES</b>			
Accounting and audit	\$ 5,803	\$ -	\$ 185
Directors fees	500	-	-
Insurance	2,135	-	-
Legal	9,510	-	-
Management fees	25,000	-	-
Treasurer's fees	1,580	7,248	-
Maintenance landscaping	35,520	-	-
Bond interest expense	-	364,812	-
Bond Principal	-	185,000	-
Paying agent fees	-	300	-
Capital improvements	-	-	2,988,483
<b>Total expenditures/expenses</b>	<u>80,048</u>	<u>557,360</u>	<u>2,988,668</u>
<b>REVENUES</b>			
Property tax	105,242	482,775	-
Specific ownership taxes	8,747	40,069	-
Interest income	1,883	405	4,005
<b>Total revenues</b>	<u>115,872</u>	<u>523,249</u>	<u>4,005</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>35,824</u>	<u>(34,111)</u>	<u>(2,984,663)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	(37,036)	37,036	-
<b>Total other financing sources (uses)</b>	<u>(37,036)</u>	<u>37,036</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(1,212)	2,925	(2,984,663)
<b>CHANGE IN NET POSITION</b>			
<b>FUND BALANCE/NET POSITION:</b>			
<b>BEGINNING OF YEAR - RESTATED</b>	212,496	-	4,848,306
<b>END OF YEAR</b>	<u>\$ 211,284</u>	<u>\$ 2,925</u>	<u>\$ 1,863,643</u>

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 5,988	\$ -	\$ 5,988
500	-	500
2,135	-	2,135
9,510	-	9,510
25,000	-	25,000
8,828	-	8,828
35,520	-	35,520
364,812	(809)	364,003
185,000	(185,000)	-
300	-	300
2,988,483	(2,988,483)	-
<u>3,626,076</u>	<u>(3,174,292)</u>	<u>451,784</u>
588,017	-	588,017
48,816	-	48,816
6,293	-	6,293
<u>643,126</u>	<u>-</u>	<u>643,126</u>
(2,982,950)	3,174,292	191,342
-	-	-
-	-	-
(2,982,950)	2,982,950	
	191,342	191,342
5,060,802	(4,617,484)	443,318
<u>\$ 2,077,852</u>	<u>\$ (1,443,192)</u>	<u>\$ 634,660</u>

*NOTE: The accompanying notes are an integral part of the financial statements.*

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original/Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 114,101	\$ 105,242	\$ (8,859)
Specific ownership taxes	2,224	8,747	6,523
Interest income	79	1,883	1,804
<b>Total revenues</b>	<b>116,404</b>	<b>115,872</b>	<b>(532)</b>
<b>EXPENDITURES</b>			
Accounting and audit	5,750	5,803	(53)
Directors' fees	500	500	-
Insurance	2,000	2,135	(135)
Legal	7,000	9,510	(2,510)
Management fees	25,000	25,000	-
Treasurer's fees	1,712	1,580	132
Maintenance landscaping	80,000	35,520	44,480
Contingency	22,000	-	22,000
Emergency reserve	4,874	-	4,874
<b>Total expenditures</b>	<b>148,836</b>	<b>80,048</b>	<b>68,788</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(32,432)</b>	<b>35,824</b>	<b>68,256</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	-	(37,036)	(37,036)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(37,036)</b>	<b>(37,036)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(32,432)</b>	<b>(1,212)</b>	<b>31,220</b>
<b>FUND BALANCE</b>			
<b>BEGINNING OF YEAR</b>	<b>162,473</b>	<b>212,496</b>	<b>50,023</b>
<b>END OF YEAR</b>	<b>\$ 130,041</b>	<b>\$ 211,284</b>	<b>\$ 81,243</b>

*NOTE: The accompanying notes are an integral part of the financial statements.*

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

**Definition of Reporting Entity**

Orchard Valley Metropolitan District (The District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Arapahoe County, Colorado. The District was established to provide for the acquisition, construction, installation and completion of parks and recreation facilities, arterial and collector roadways, traffic signals and safety devices and all other necessary improvements to the projects, including the necessary maintenance.

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

The District follows the Governmental Accounting Standards Boards (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:

**Basis of Presentation**

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

ORCHARD VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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. Property taxes are recognized as revenues in the year for which they are levied.

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 measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The government reports the following major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

**Fund Balances**

The District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

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

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

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

**Budgets**

In accordance with the State Budget Law, the District’s Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The 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.

The District amended its Capital Project Fund from \$ 2,648,436 to \$ 3,163,358.

**Cash**

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

**ORCHARD VALLEY METROPOLITAN DISTRICT**

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property Taxes**

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to assess the property tax obligation of the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or at the taxpayers election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally 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 revenue 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.

**Restricted Fund Balance**

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$2,500 of the General Fund balance has been restricted in compliance with this requirement.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	\$ 215,281
Restricted investments	1,996,197
	<u>\$ 2,211,478</u>

Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ 2,163,969
Investments - Colotrust	47,509
	<u>\$ 2,211,478</u>

# ORCHARD VALLEY METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### 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 on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% 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.

At December 31, 2016, the District's cash deposits had a bank balance of \$ 2,166,197 and a carrying balance of \$ 2,163,969.

### Investments

#### Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as Paying Agent or Trustee), and CSAFE, which record their investments at amortized cost.

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

The District has invested in COLOTRUST, an external investment pool that records its investments at fair value and is categorized as a level 2 investment.

**ORCHARD VALLEY METROPOLITAN DISTRICT**

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

The local government investment pools include the Colorado Local Government Liquid Assets Trust (ColoTrust) rated AAAM by Standard & Poor's.

As of December 31, 2016 the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Liquid Asset Trust	Less than one year	\$ 47,509

**COLOTRUST**

As of December 31, 2016 the District had invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2016, the District has \$ 47,509 invested in COLOTRUST PRIME.

ORCHARD VALLEY METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 2016

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year then ended December 31, 2016 follows:

<b>Governmental Activities:</b>	<b>Balance at 1/1/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 12/31/2016</b>
Capital assets, not being depreciated:				
Landscaping improvements	\$ 1,862,917	\$ 2,988,483	\$ -	\$ 4,851,400
<b>Total capital assets not being depreciated</b>	<b>\$ 1,862,917</b>	<b>\$ 2,988,483</b>	<b>\$ -</b>	<b>\$ 4,851,400</b>

**ORCHARD VALLEY METROPOLITAN DISTRICT**

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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 5 – 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.

**NOTE 6 – LONG TERM OBLIGATIONS**

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	<u>Balance at</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/2016</u>	<u>Due within one</u> <u>year</u>
Taxable General Obligation Bonds series 2016	6,450,000	\$ -	\$ 185,000	\$ 6,265,000	\$ 195,000
	<u>\$ 6,450,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 6,265,000</u>	<u>\$ 195,000</u>

The details of the Districts long-term obligation are as follows:

\$ 6,450,000 Taxable General Obligation Bonds, Series 2016, dated September 3, 2016, with interest of 5.25% consisting of term bonds issued in the amount of \$ 2,375,000 due on December 1, 2025 and 5.75% term bonds issued in the amount of \$ 1,750,000 due December 1, 2030 and \$2,325,000 due December 1, 2035. Bonds maturing on December 1, 2025 are subject to mandatory redemption by lot on December 1, 2016 through 2025. Bonds maturing on December 1, 2030 are subject to mandatory redemption by lot on December 1, 2026 through 2030. Bonds maturing on December 1, 2035 are subject to mandatory redemption by lot on December 2031 through 2035. Bonds maturing on or before December 1, 2025 are not subject to prior redemption. Bonds maturing on or after December 1, 2030 are callable on December 1, 2025 at par..

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 6 – LONG TERM OBLIGATIONS – (CONTINUE)**

The District’s long-term debt obligations mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	195,000	355,100	550,100
2018	\$ 205,000	344,863	\$ 549,863
2019	220,000	334,100	554,100
2020	230,000	322,550	552,550
2021	240,000	310,475	550,475
2022-2026	1,410,000	1,348,412	2,758,412
2027-2031	1,855,000	910,250	2,765,250
2032-2035	1,910,000	294,900	2,204,900
	<u>\$ 6,265,000</u>	<u>\$ 4,220,650</u>	<u>\$ 10,485,650</u>

**NOTE 7 – DISTRICT COST SHARING PARTICIPATION AGREEMENT**

**Southeast Public Improvement Metropolitan District (SPIMD)**

On May 4, 2004, voters approved the creation of SPIMD to succeed the Joint Southeast Public Improvement Association (JSPIA), which funded and coordinated the provision of functions, service and facilities of common benefit to the participating contiguous metropolitan districts, primarily regional street improvement projects. The primary purpose of SPIMD is to finance, through the issuance of bonds, transportation related services and activities on a shared partnership basis with other governments located in the southeast Denver metropolitan area.

On May 4, 2004, a majority of the qualified electors of SPIMD authorized the issuance of indebtedness in an amount not to exceed \$75,000,000 at an interest rate to be determined by SPIMD’s Board of Directors. At December 31, 2016, SPIMD had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Amount Authorized on May 4, 2004</u>	<u>Authorization Used Series 2004 Bonds</u>	<u>Authorized But Unissued</u>
Transportation	\$ 25,000,000	\$ 7,925,000	\$ 17,075,000
Street improvements	25,000,000	–	25,000,000
Street safety	25,000,000	–	25,000,000
	<u>\$ 75,000,000</u>	<u>\$ 7,925,000</u>	<u>\$ 67,075,000</u>

Per the Service Plan, the maximum total mill levy for the District is 2.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District. The 2.000 mills shall only be levied against commercial property located within the District’s boundaries.

In the future, SPIMD may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within SPIMD’s service area.

# ORCHARD VALLEY METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

December 31, 2016

### **NOTE 8 – RELATED PARTY INFORMATION**

The members of the Board of Directors of the District are employees, owners or associated with the Developer of the District, or owners of property within the District and may have conflicts of interest in dealing with the District. Management fees of \$ 25,000 were paid to the Developer during 2016.

### **NOTE 9 – DEBT AUTHORIZATION AND SERVICE PLAN AMENDMENT**

On August 12, 2012 the District amended its service plan and authorized the issuance of general obligation debt in an amount not to exceed \$15,000,000 with a maturity of no greater than 40 years at an interest rate not to exceed 8.5%. Such bonds are to be repaid from general ad valorem taxes to be imposed upon taxable property within the District provided that if at the time of issuance the principal amount of all bonds exceeds fifty percent of the assessed valuation of the District as certified by the County assessor, such debt service mill levy will not exceed 50 mills as adjusted for changes in the method of assessed valuation. The district has \$ 8,550,000 of unused authorization.

### **NOTE 10 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to 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) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

### **NOTE 11 – INTERFUND TRANSFERS**

The District transferred \$ 37,036 from the General Fund to the Debt Service Fund to supplement the debt payments.

# ORCHARD VALLEY METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS December 31, 2016

### NOTE 12 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

The District's management believes 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.

On May 4, 2004, a majority of the voters of the District's electors authorized the District to collect, retain and spend any and all amounts received by the District annually from any revenue source including but not limited to ad valorem taxes, tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected or authorized by law to be imposed or collected by the District, such revenues to be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained with Article X, Section 20 of the Colorado Constitution or any other law the purports to limit the District's revenue or expenditures and without limiting in any year the amount of other revenues that may be collected and spent by the District.

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 13 – RECONCILIATION OF *GOVERNMENT-WIDE* AND FUND  
FINANCIAL STATEMENTS**

**Explanation of differences between the governmental fund Balance Sheet and the  
government-wide Statement of Net Position**

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Long term obligations	\$	6,265,000
Capital assets	\$	4,851,400
Accrued Interest on Bonds	\$	29,592

Capital assets, Long term debt and accrued interest, are reflected on the Statement of Net Position.

Explanation of differences between the governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities.

The governmental fund statement of Revenue, expenditures and Changes in Fund Balance and the government-wide Statement of Activities include a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital improvements	\$	(2,988,483)
Bond principal	\$	(185,000)
Bond interest expense	\$	(809)

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of fixed assets is capitalized. Bond principal payments are recorded as a reduction in the liability. Bond interest from December 1 through December 31 is accrued in the Statement of Net Position.

**SUPPLEMENTAL INFORMATION**

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**—**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL**  
**Year Ended December 31, 2016**

	<b>Original Final Budget</b>	<b>Amended Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 4,005	\$ 4,005
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>4,005</u>	<u>4,005</u>
<b>EXPENDITURES</b>				
Capital improvements	2,648,436	3,163,358	2,988,483	174,875
<b>Total expenditures</b>	<u>2,648,436</u>	<u>3,163,358</u>	<u>2,988,483</u>	<u>174,875</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(2,648,436)</u>	<u>(3,163,358)</u>	<u>(2,984,478)</u>	<u>178,880</u>
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>	2,648,436	4,848,306	4,848,306	-
<b>END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,684,948</u>	<u>\$ 1,863,828</u>	<u>\$ 178,880</u>

*NOTE: The accompanying notes are an integral part of the financial statements.*

**ORCHARD VALLEY METROPOLITAN DISTRICT**

**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes	\$ 522,683	\$ 482,775	\$ (39,908)
Specific ownership taxes	52,268	40,069	(12,199)
Interest income	-	405	405
Miscellaneous income	-	-	-
<b>Total Revenues</b>	<b>574,951</b>	<b>523,249</b>	<b>(51,702)</b>
<b>EXPENDITURES</b>			
Bond interest expense	364,813	364,812	1
Bond Principal	185,000	185,000	-
Paying agent fees	500	300	200
Treasurer's fees	7,840	7,248	592
Reserve for contingencies	15,680	-	15,680
<b>Total Expenditures</b>	<b>573,833</b>	<b>557,360</b>	<b>16,473</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,118</b>	<b>(34,111)</b>	<b>(35,229)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	-	37,036	37,036
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>37,036</b>	<b>37,036</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,118</b>	<b>2,925</b>	<b>1,807</b>
<b>FUND BALANCE</b>			
<b>BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>END OF YEAR</b>	<b>\$ 1,118</b>	<b>\$ 2,925</b>	<b>\$ 1,807</b>

*NOTE: The accompanying notes are an integral part of the financial statements.*

**ORCHARD VALLEY METROPOLITAN DISTRICT**  
**SUMMARY OF ASSESSED VALUATION,**  
**MILL LEVY AND PROPERTY TAXES COLLECTED**

**December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied For General Fund</u>	<u>Mills levied For Debt Service Fund</u>	<u>Total Property Taxes</u>		<u>Percent Collected To Levied</u>
				<u>Levied</u>	<u>Collected</u>	
2001	\$ 30,653,170	1.265	0.948	\$ 67,835	\$ 49,726	73.30%
2002	\$ 33,705,860	1.235	0.948	\$ 73,580	\$ 70,904	96.40%
2003	\$ 32,852,730	1.692	0.996	\$ 88,308	\$ 85,178	96.50%
2004	\$ 24,705,720	1.414	0.000	\$ 34,934	\$ 35,620	102.00%
2005	\$ 23,224,080	4.027	0.000	\$ 93,523	\$ 87,287	93.33%
2006	\$ 17,288,530	4.000	0.000	\$ 69,154	\$ 69,487	100.48%
2007	\$ 17,371,680	4.000	0.000	\$ 69,487	\$ 69,014	99.32%
2008	\$ 20,168,220	4.000	0.000	\$ 80,673	\$ 80,655	99.98%
2009	\$ 19,825,490	4.000	0.000	\$ 79,302	\$ 79,591	100.36%
2010	\$ 25,885,630	4.000	0.000	\$ 103,543	\$ 102,205	98.71%
2011	\$ 25,051,990	4.000	0.000	\$ 100,208	\$ 75,431	75.27%
2012	\$ 21,401,730	4.000	0.000	\$ 85,607	\$ 82,557	97.61%
2013	\$ 20,505,880	4.000	0.000	\$ 82,024	\$ 78,033	95.13%
2014	\$ 24,740,650	4.000	0.000	\$ 98,963	\$ 96,950	97.97%
2015	\$ 22,091,316	4.866	0.000	\$ 107,496	\$ 107,506	100.00%
2016	\$ 22,241,819	5.130	23.50	\$ 634,783	\$ 588,017	92.34%

Estimated for calendar year ending December 31, 2017:

\$ 20,700,532	5.412	23.50	\$ 598,494
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*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.