

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2019

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orchard Park Place North Metropolitan District
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Orchard Park Place North Metropolitan District (the District) as of and for the year ended December 31, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Orchard Park Place North Metropolitan District, as of December 31, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental 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 basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fisef Focus Partners, LLC

Greenwood Village, Colorado
September 3, 2021

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 103,203	\$ -	\$ -	\$ 103,203	\$ -	\$ 103,203
Cash and investments - restricted	1,759	274,363	10,273	286,395	-	286,395
Receivable - County Treasurer	306	1,533	-	1,839	-	1,839
Property taxes receivable	2,195	10,974	-	13,169	-	13,169
Accounts receivable - other	12,398	-	-	12,398	-	12,398
Construction in progress	-	-	-	-	4,529,973	4,529,973
Total Assets	<u>\$ 119,861</u>	<u>\$ 286,870</u>	<u>\$ 10,273</u>	<u>\$ 417,004</u>	4,529,973	4,946,977
LIABILITIES						
Accounts payable	\$ 730	\$ -	\$ -	\$ 730	-	730
Accrued interest on bonds	-	-	-	-	52,320	52,320
Long-term liabilities:						
Due within one year	-	-	-	-	15,000	15,000
Due in more than one year	-	-	-	-	4,111,000	4,111,000
Total Liabilities	<u>730</u>	<u>-</u>	<u>-</u>	<u>730</u>	4,178,320	4,179,050
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on refunding	-	-	-	-	-	-
Deferred property taxes	2,195	10,974	-	13,169	-	13,169
Total Deferred Inflows of Resources	<u>2,195</u>	<u>10,974</u>	<u>-</u>	<u>13,169</u>	-	13,169
FUND BALANCES						
Fund Balances:						
Restricted:						
Emergencies	1,759	-	-	1,759	(1,759)	-
Debt service	-	275,896	-	275,896	(275,896)	-
Capital projects	-	-	10,273	10,273	(10,273)	-
Assigned:						
Subsequent years disbursements	109,685	-	-	109,685	(109,685)	-
Unassigned	5,492	-	-	5,492	(5,492)	-
Total Fund Balances	<u>116,936</u>	<u>275,896</u>	<u>10,273</u>	<u>403,105</u>	(403,105)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 119,861</u>	<u>\$ 286,870</u>	<u>\$ 10,273</u>	<u>\$ 417,004</u>		
NET POSITION						
Net investment in capital assets					-	-
Restricted for:						
Emergencies					1,759	1,759
Debt service					223,576	223,576
Capital projects					10,273	10,273
Unrestricted					519,150	519,150
Total Net Position					<u>\$ 754,758</u>	<u>\$ 754,758</u>

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Legal	\$ 7,322	\$ -	\$ -	\$ 7,322	\$ -	\$ 7,322
AURA fee	-	-	-	-	-	-
Accounting and audit	4,592	-	-	4,592	-	4,592
Insurance	2,926	-	-	2,926	-	2,926
Contract maintenance	16,441	-	-	16,441	-	16,441
Maintenance/snow removal/winter watering	5,030	-	-	5,030	-	5,030
Westminster admin fee	1,000	-	-	1,000	-	1,000
Treasurer's fees	30	146	-	176	-	176
Bond interest	-	128,664	-	128,664	52,320	180,984
Bond issuance costs	-	-	252,295	252,295	-	252,295
Developer repayment	-	-	3,726,798	3,726,798	(3,726,798)	-
Developer advance - interest	-	-	-	-	<u>72,620</u>	<u>72,620</u>
Total Expenditures	<u>37,341</u>	<u>128,810</u>	<u>3,979,093</u>	<u>4,145,244</u>	<u>(3,601,858)</u>	<u>543,386</u>
GENERAL REVENUES						
Property taxes	48,918	244,589	-	293,507	-	293,507
Less URA portion of District taxes	(46,969)	(234,845)	-	(281,814)	-	(281,814)
Specific ownership taxes	3,710	18,548	-	22,258	-	22,258
WEDA Revenue	46,969	234,845	-	281,814	-	281,814
Interest income	<u>1,286</u>	<u>2,138</u>	<u>2,797</u>	<u>6,221</u>	-	<u>6,221</u>
Total General Revenues	<u>53,914</u>	<u>265,275</u>	<u>2,797</u>	<u>321,986</u>	-	<u>321,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	16,573	136,465	(3,976,296)	(3,823,258)	3,601,858	(221,400)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	4,126,000	4,126,000	(4,126,000)	-
Transfers (to)/from other funds	-	139,431	(139,431)	-	-	-
Total Other Financing Sources (Uses)	-	139,431	3,986,569	4,126,000	(4,126,000)	-
SPECIAL ITEMS						
Forgiveness of debt	-	-	-	-	3,281,860	3,281,860
Total Special Items	-	-	-	-	<u>3,281,860</u>	<u>3,281,860</u>
NET CHANGES IN FUND BALANCES						
	16,573	275,896	10,273	302,742	(302,742)	-
CHANGE IN NET POSITION						
					3,060,460	3,060,460
FUND BALANCES/NET POSITION:						
BEGINNING OF YEAR - RESTATED	<u>100,363</u>	-	-	<u>100,363</u>	<u>(2,406,065)</u>	<u>(2,305,702)</u>
END OF YEAR	<u>\$ 116,936</u>	<u>\$ 275,896</u>	<u>\$ 10,273</u>	<u>\$ 403,105</u>	<u>\$ 351,653</u>	<u>\$ 754,758</u>

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 49,196	\$ 48,918	\$ (278)
Less URA portion of District taxes	(47,236)	(46,969)	267
Specific ownership taxes	3,936	3,710	(226)
WEDA Revenue	47,236	46,969	(267)
Interest income	<u>75</u>	<u>1,286</u>	<u>1,211</u>
Total Revenues	<u>53,207</u>	<u>53,914</u>	<u>707</u>
EXPENDITURES			
Legal	10,000	7,322	2,678
Accounting and audit	3,000	4,592	(1,592)
Insurance	2,500	2,926	(426)
Contract maintenance	16,800	16,441	359
Maintenance/snow removal/winter watering	8,500	5,030	3,470
Westminster admin fee	2,000	1,000	1,000
Administrative/operations	1,000	-	1,000
Treasurer's fees	29	30	(1)
Contingency	78,917	-	78,917
Emergency reserve	<u>1,315</u>	<u>-</u>	<u>1,315</u>
Total Expenditures	<u>124,061</u>	<u>37,341</u>	<u>86,720</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(70,854)	16,573	87,427
FUND BALANCE:			
BEGINNING OF YEAR	<u>70,854</u>	<u>100,363</u>	<u>29,509</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 116,936</u>	<u>\$ 116,936</u>

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Orchard Park Place North Metropolitan District (the “District”), located in the City of Westminster in Adams County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 3, 2008, as a quasi-municipal corporation established under the State of Colorado Special District Act. The District was established to finance the construction of Public Improvements for the benefit of the residents of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB Pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

Basis of Presentation

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are 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 District reports the following major governmental funds:

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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

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.

Budgetary Accounting

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

On November 20, 2019, the District amended its total appropriations in the Debt Service Fund from \$111,190 to \$131,340 primarily due to bond interest paid above the amount budgeted.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this section at December 31, 2019.

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated.

Property Taxes

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Balance

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,759 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$275,896 is restricted for the payment of the debt service costs associated with the Series 2019A and Series 2019B Bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$10,273 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Assigned Fund Balance

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

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2020.

Unassigned Fund Balance

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

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

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

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

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

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 103,203
Cash and investments – Restricted	<u>286,395</u>
Total	\$ <u>389,598</u>

Cash and investments as of December 31, 2019, consist of the following:

Deposits with financial institutions	\$ 307,031
Investments – COLOTRUST	<u>82,567</u>
	\$ <u>389,598</u>

Deposits

Custodial Credit Risk

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

The District does not have a formal policy for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

As of December 31, 2019, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST” or the “Trust”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2019, the District had \$82,567 invested in COLOTRUST.

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2019, follows:

Governmental Type Activities:	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 4,529,973	\$ -	\$ 4,529,973
Total capital assets not being depreciated	-	4,529,973	-	4,529,973

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2019, is as follows:

\$3,515,000 Limited Tax General Obligation Bonds, Series 2019A

On March 20, 2019, the District issued \$3,515,000 of Limited Tax General Obligation Bonds, Series 2019A (the “Series 2019A Bonds”) for the purpose of paying project costs, funding the Senior Reserve Fund, and paying the cost of issuance of the Series 2019A Bonds. The Series 2019A Bonds bear interest at the rate of 5.25%, payable semiannually on each June 1 and December 1, commencing on December 1, 2019, and mature on December 1, 2048. The Series 2019A Bonds are secured by Senior Pledged Revenues including the Senior property tax revenues, Senior specific ownership taxes attributable to the Senior property tax mill levy, and the property tax revenue generated from the 25 mill debt levy that was imposed by the District in 2018 and to be collected in 2019 and any other legally available moneys which the District determines to credit to the Senior Bond Fund. The Series 2019A Bonds are also secured by the Senior Reserve Fund and the Surplus Fund.

The Series 2019A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2020. The Series 2019A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities, on June 1, 2024 and on any date thereafter, upon payment of par, accrued interest and a redemption premium as follows:

- 3% of the amount redeemed between June 1, 2024, and May 31, 2025
- 2% of the amount redeemed between June 1, 2025 and May 31, 2026
- 1% of the amount redeemed between June 1, 2026, and May 31, 2027
- Redemptions on and after June 1, 2027, are at par

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

\$611,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B

On March 20, 2019, the District issued \$611,000 of Subordinate Limited Tax General Obligation Bonds, Series 2019B (the “Series 2019B Bonds”), for the purpose of paying additional project costs and paying the cost of issuance of the Series 2019B Bonds. The Series 2019B Bonds bear interest at 7.750% and mature on December 15, 2048. The Series 2019B Bonds are cash flow bonds with annual payments anticipated to be made on December 15, subject to available Subordinate Pledged Revenue. Unpaid interest compounds annually on December 15 at the rate of 7.750%. The Series 2019B Bonds are subordinate limited general tax general obligation bonds secured by the Subordinate Pledged Revenue, consisting of Subordinate property tax revenues, Subordinate specific ownership tax revenues, any amounts in the Series 2019A Bonds Surplus Fund upon the termination of such fund and any other legally available moneys which the District determines to credit to the Subordinate Bonds Fund.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2019A Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,000	\$ 184,538	\$ 199,538
2021	30,000	183,750	213,750
2022	35,000	182,175	217,175
2023	40,000	180,338	220,338
2024	45,000	178,238	223,238
2025-2029	285,000	852,075	1,137,075
2030-2034	445,000	761,775	1,206,775
2035-2039	635,000	625,538	1,260,538
2040-2044	895,000	433,650	1,328,650
2045-2048	<u>1,090,000</u>	<u>158,025</u>	<u>1,248,025</u>
	<u>\$ 3,515,000</u>	<u>\$ 3,740,100</u>	<u>\$ 7,255,100</u>

Because of the uncertainty of timing of payments under the Series 2019B Bonds no related schedule of expected principal and interest payments is presented.

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Reimbursement Agreement

On February 13, 2013, the District and Parkway Development, Inc. (“Developer”) entered into a Reimbursement Agreement whereby the Developer funded the construction of public improvements in the amount of approximately \$4,801,733. The District agreed, if and when financially feasible, to issue bonds and reimburse the Developer for all or any portion of the costs of the improvements installed by the Developer and other parties, plus interest at the rate of 6% per year. The agreement provides that the District’s reimbursement obligation is not a multiple-fiscal year debt of the District, is conditioned upon the issuance of bonds by the District, and is subject to appropriation by the Board. In addition, the District’s reimbursement obligation is subordinate to the District’s bonds.

With the issuance of the Series 2019A and Series 2019B Bonds, the net proceeds in the amount of \$3,726,798 were paid to the Developer under the Reimbursement Agreement. Subsequently, the Reimbursement Agreement has been terminated and the Developer has waived any claim for reimbursement of any remaining amounts due.

The following is an analysis of changes in long-term debt for the period ending December 31, 2019:

	Restated			Balance	Current
	Balance	Additions	Deletions	Balance	Portion
	1/1/2019			12/31/2019	
<u>General Obligation Bonds</u>					
Limited Tax GO Bonds, Series 2019A	\$ -	\$ 3,515,000	\$ -	\$ 3,515,000	\$ 15,000
Subordinate Limited Tax GO Bonds, Series 2019B	-	611,000	-	611,000	-
Total	-	4,126,000	-	4,126,000	15,000
<u>Other</u>					
Developer Advance	4,801,833	-	4,801,833	-	-
Developer Advance - Accrued Interest	2,134,205	72,620	2,206,825	-	-
Total	6,936,038	72,620	7,008,658	-	-
Total	\$ 6,936,038	\$ 4,198,620	\$ 7,008,658	\$ 4,126,000	\$ 15,000

Note 5: Other Agreements

Intergovernmental Cooperation Agreement Regarding Tax Increment Revenues

On January 27, 2015, the District and Westminster Economic Development Authority (“WEDA”) entered into an Intergovernmental Cooperation Agreement Regarding Tax Increment Revenues. This agreement recognized that the property in the District is also within the North Huron Urban Renewal Area. Pursuant to State law, property tax revenue generated by the District’s mill levy on incremental assessed valuation is payable to WEDA for a period of 25 years from the date of

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

adoption of the urban renewal plan. WEDA adopted the urban renewal plan on January 26, 2004; accordingly, the tax increment period expires in 2029. In the agreement, WEDA agrees that the portion of revenues it received as tax increment revenues that are attributable to the District's ad valorem taxes on the property in the District shall be remitted to the District monthly.

The agreement details the process whereby the District will invoice WEDA on a monthly basis for these revenues and WEDA will remit such revenues back to the District. WEDA will invoice the District an annual collection fee of \$1,000 from 2014 to 2020, and \$1,500 from 2021 to 2028. In consideration, the District agrees to provide certain improvements which include water, sanitation, street and safety protection and park and recreation improvements. The District has completed the improvements as agreed.

Management Services Agreement

On June 18, 2015, the District entered into a Management Services Agreement with AZG Westminster LLC ("AZG") whereby AZG is responsible for the maintenance and repair of landscaped areas within the District. AZG is paid a fee equal to 15% of actual costs.

Note 7: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the developers of the property within the District's service area and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed by the Board.

Note 8: Tax, Spending and Debt Limitations

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

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

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2019

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 November 4, 2008, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 9: Risk Management

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

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

Note 10: Debt Authorization

On November 4, 2008, the District's eligible electors authorized the District to issue up to \$132,000,000 in general obligation debt for public infrastructure. As of December 31, 2019, the remaining authorization was \$127,874,000. The District's Service Plan provides that the District shall not issue debt in excess of \$7,000,000. As of December 31, 2019, the remaining authorization under the Service Plan was \$2,874,000.

Note 11: Interfund and Operating Transfers

The transfer of \$139,431 from the Capital Projects Fund to the Debt Service Fund was transferred for the purpose of transferring funds from the bond proceeds that were pledged for debt service.

Note 12: Noncompliance with Colorado Revised Statutes

Colorado Revised Statutes require that local governments submit audited financial statements for the calendar year-end by July 31, or September 30 if granted an extension of the following year. The District was not in compliance with this statutory requirement for the year ended December 31, 2019.

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2019

Note 13: Restatement

Net position as of December 31, 2018 was restated to correctly reflect Developer Advances, Developer Advance accrued interest and construction in progress. The effect of the restatement is as follows:

Net position, December 31, 2018 as originally report	\$ (271,860)
Capital assets accepted under the Reimbursement Agreement	4,529,973
Developer advances received in prior years	(4,529,973)
Developer advance accrued interest in prior years	<u>(2,134,205)</u>
	<u>\$ (2,406,065)</u>

Note 14: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Capital assets used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable, are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets is allocated over the asset life as depreciation expense;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	Original	Final		Variance
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 245,980	\$ 245,980	\$ 244,589	\$ (1,391)
Less URA portion of District taxes	(236,181)	(236,181)	(234,845)	1,336
Specific ownership taxes	19,679	19,679	18,548	(1,131)
WEDA Revenue	236,181	236,181	234,845	(1,336)
Interest income	<u>6,000</u>	<u>2,138</u>	<u>2,138</u>	<u>-</u>
Total Revenues	<u>271,659</u>	<u>267,797</u>	<u>265,275</u>	<u>(2,522)</u>
EXPENDITURES				
Bond interest	105,000	128,664	128,664	-
Paying agent fee	2,500	2,530	-	2,530
Treasurer's fees	<u>3,690</u>	<u>146</u>	<u>146</u>	<u>-</u>
Total Expenditures	<u>111,190</u>	<u>131,340</u>	<u>128,810</u>	<u>2,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	160,469	136,457	136,465	8
OTHER FINANCING SOURCES (USES)				
Transfers (to)/from other funds	<u>-</u>	<u>139,431</u>	<u>139,431</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>139,431</u>	<u>139,431</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	160,469	275,888	275,896	8
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ 160,469</u>	<u>\$ 275,888</u>	<u>\$ 275,896</u>	<u>\$ 8</u>

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 2,797	\$ 2,797
Total Revenues	-	2,797	2,797
EXPENDITURES			
Capital improvements	5,500,000	-	5,500,000
Developer repayment	2,730,000	3,726,798	(996,798)
Bond issuance costs	270,000	252,295	17,705
Total Expenditures	8,500,000	3,979,093	4,520,907
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,500,000)	(3,976,296)	4,523,704
OTHER FINANCING SOURCES (USES)			
Developer advances	5,500,000	-	(5,500,000)
Bond proceeds	3,000,000	4,126,000	1,126,000
Transfers (to)/from other funds	-	(139,431)	(139,431)
Total Other Financing Sources (Uses)	8,500,000	3,986,569	(4,513,431)
NET CHANGE IN FUND BALANCE	-	10,273	10,273
FUND BALANCE:			
BEGINNING OF YEAR	-	-	-
END OF YEAR	\$ -	\$ 10,273	\$ 10,273

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

ORCHARD PARK PLACE NORTH METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2019

<u>Year Ended</u> <u>December 31,</u>	<u>Prior Year</u> <u>Total Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Prior Year</u> <u>Increment</u> <u>Assessed</u> <u>Valuation (2)</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
			<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected (1,3)</u>	
2015	\$ 3,928,980	\$ 3,739,980	10.000	0.000	\$ 1,890	\$ 1,891	100.05%
2016	\$ 3,026,700	\$ 2,891,080	10.000	0.000	\$ 1,356	\$ 1,352	99.69%
2017	\$ 5,910,730	\$ 5,637,870	10.000	0.000	\$ 2,729	\$ 1,473	53.98%
2018	\$ 5,932,000	\$ 5,669,180	10.000	0.000	\$ 2,628	\$ 2,628	100.00%
2019	\$ 9,839,220	\$ 9,447,250	5.000	25.000	\$ 11,759	\$ 11,693	99.44%
Estimated for year ending December 31, 2020	\$ 11,169,850	\$ 10,730,890	5.000	25.000	\$ 13,169		

NOTE

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

(2) The District receives tax revenues from the total assessed valuation less the assessed valuation on the increment. The taxes from the increment are available from the intergovernmental agreement with the Westminster Economic Development Authority.

(3) Total Property Tax collected is shown here net of the amount paid to Westminster Economic Development Authority.