

**Valley Club Pointe
Metropolitan District**

Annual Financial Report

December 31, 2020

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Report of Independent Certified Public Accountants

To the Board of Directors
Valley Club Pointe Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Valley Club Pointe Metropolitan District (the “District”) as of and for the year ended December 31, 2020 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 Valley Club Pointe Metropolitan District, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Valley Club Pointe Metropolitan District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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 Valley Club Pointe Metropolitan District’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Valley Club Point Metropolitan 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 Valley Club Point Metropolitan District's ability to continue as a going concern for a reasonable period of time.

Other-Matters

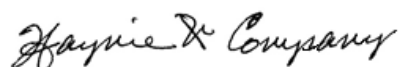
Required Supplementary Information

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 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 Valley Club Pointe Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such 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.



Littleton, Colorado
July 28, 2021

Basic Financial Statements

Valley Club Pointe Metropolitan District
Statement of Net Position
December 31, 2020

Assets	<u>Governmental Activities</u>
Cash and equivalents	\$ 48,174
Property tax receivable	283,418
Capital assets, net of depreciation	<u>4,833,032</u>
Total assets	<u>5,164,624</u>
 Liabilities	
Deferred property tax revenue	283,418
Accrued interest payable	14,391
Noncurrent liabilities:	
Due within one year	240,000
Due in more than one year	<u>7,965,000</u>
Total liabilities	<u>8,502,809</u>
 Net Assets	
Net investment in capital assets	(3,131,968)
Restricted for:	
Emergency reserves	1,540
Unrestricted	<u>(207,757)</u>
Total Net Position	<u>(3,338,185)</u>
Total Liabilities and Net Position	<u><u>\$ 5,164,624</u></u>

The accompanying notes are an integral part of these financial statements.

Valley Club Pointe Metropolitan District
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
				Primary Government
				Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 186,403	\$ -	\$ -	\$ (186,403)
Interest and related costs on long term debt	3,308,509	-	-	(3,308,509)
	3,494,912	-	-	(3,494,912)
General revenues:				
Property taxes				285,597
Specific ownership taxes				19,782
Public improvement fees				228,966
Investment income				954
Total general revenues				535,299
Change in net position				(2,959,613)
Net position - beginning of year				(378,572)
Net position - end of				\$ (3,338,185)

The accompanying notes are an integral part of these financial statements.

Valley Club Pointe Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2020

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Total
Cash and equivalents	\$ 47,780	\$ 394	\$ -	\$ 48,174
Property tax receivable	<u>47,238</u>	<u>236,180</u>	<u>-</u>	<u>283,418</u>
Total assets	<u>\$ 95,018</u>	<u>\$ 236,574</u>	<u>\$ -</u>	<u>\$ 331,592</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred property tax revenue	<u>47,238</u>	<u>236,180</u>	<u>-</u>	<u>283,418</u>
Total liabilities	<u>47,238</u>	<u>236,180</u>	<u>-</u>	<u>283,418</u>
Fund Balances				
Restricted for:				
Emergency reserves	1,540	-	-	1,540
Debt service	-	394	-	394
Unassigned	<u>46,240</u>	<u>-</u>	<u>-</u>	<u>46,240</u>
Total Fund Balances	<u>47,780</u>	<u>394</u>	<u>-</u>	<u>48,174</u>
Total Liabilities and Fund Balance	<u>\$ 95,018</u>	<u>\$ 236,574</u>	<u>\$ -</u>	<u>\$ 331,592</u>

Total governmental fund balance per above \$ 48,174

Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds. 4,833,032

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Accrued interest payable	(14,391)
Notes payable	(5,955,000)
Bonds payable	<u>(2,250,000)</u>

Net position of governmental activities \$ (3,338,185)

The accompanying notes are an integral part of these financial statements.

Valley Club Pointe Metropolitan District
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Service</u>	<u>Total</u>
Revenues:				
Property taxes	\$ 47,373	\$ 238,224	\$ -	\$ 285,597
Specific ownership taxes	3,575	16,207	-	19,782
Interest income	388	566	-	954
Public improvement fees	-	228,966	-	228,966
Total General Revenues	<u>51,336</u>	<u>483,963</u>	<u>-</u>	<u>535,299</u>
Expenditures:				
General government				
Accounting	4,020	-	-	4,020
Legal	4,573	3,558	-	8,131
Audit and administrative	7,171	-	-	7,171
Treasurer's fees	711	3,553	-	4,264
Insurance	669	-	-	669
Other expenses	-	10	-	10
Debt service				
Principal payments	-	235,000	-	235,000
Interest expense	-	3,132,693	-	3,132,693
Issuance costs	-	161,425	-	161,425
Capital Outlay				
Parks & rec expenditures	2,605	-	-	2,605
Total Expenditures	<u>19,749</u>	<u>3,536,239</u>	<u>-</u>	<u>3,555,988</u>
Excess (Deficiency) of Revenues over expenditures	31,587	(3,052,276)	-	(3,020,689)
Other financing sources (uses):				
Transfers from/(to) other funds	(63,390)	63,390	-	-
Debt proceeds	-	6,190,000	-	6,190,000
Bond principal payments	-	(3,300,000)	-	(3,300,000)
Total Other Financing Sources (Uses)	<u>(63,390)</u>	<u>2,953,390</u>	<u>-</u>	<u>2,890,000</u>
Net change in fund balance	(31,803)	(98,886)	-	(130,689)
Fund balances:				
Beginning of the year	<u>79,583</u>	<u>99,280</u>	<u>-</u>	<u>178,863</u>
End of the year	<u>\$ 47,780</u>	<u>\$ 394</u>	<u>\$ -</u>	<u>\$ 48,174</u>

The accompanying notes are an integral part of these financial statements.

Valley Club Pointe Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance—total governmental funds	\$ (130,689)
In the Statement of Activities depreciation is recognized as an expenditure, while depreciation is not recognized in fund financial statements.	(159,533)
Long-term debt 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt proceeds	(6,190,000)
Principal payments	3,535,000
Change in accrued interest	<u>(14,391)</u>
Change in net assets of governmental activities	<u>\$ (2,959,613)</u>

The accompanying notes are an integral part of these financial statements.

Valley Club Pointe Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property taxes	49,531	\$ 47,373	\$ 47,373	\$ -
Specific ownership taxes	3,500	3,575	3,575	-
Interest income	-	388	388	-
Total revenue	<u>53,031</u>	<u>51,336</u>	<u>51,336</u>	<u>-</u>
Expenditures:				
General government				
Accounting	4,000	4,020	4,020	-
Legal	4,000	4,573	4,573	-
Audit and administrative	7,000	7,171	7,171	-
Treasurer's fees	750	711	711	-
Insurance	750	669	669	-
Contingency	1,000	5,000	-	5,000
Capital Outlay				
Parks and rec expenditures	7,500	2,605	2,605	-
Total Expenditures	<u>25,000</u>	<u>24,749</u>	<u>19,749</u>	<u>5,000</u>
Excess revenue over (under) expenditures	<u>28,031</u>	<u>26,587</u>	<u>31,587</u>	<u>5,000</u>
Other financing sources/uses:				
Interfund Transfers	-	(63,390)	(63,390)	-
Total other financing sources/uses	<u>-</u>	<u>(63,390)</u>	<u>(63,390)</u>	<u>-</u>
Net change	28,031	(36,803)	(31,803)	5,000
Fund Balance—Beginning of year	<u>79,583</u>	<u>79,583</u>	<u>79,583</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ 107,614</u>	<u>\$ 42,780</u>	<u>\$ 47,780</u>	<u>\$ 5,000</u>

The accompanying notes are an integral part of these financial statements.

Valley Club Pointe Metropolitan District

Notes to Financial Statements

December 31, 2020

1. Definition of Reporting Entity

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 street, storm sewer, transportation and safety improvements.

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Summary of Significant Accounting Policies

The District's most significant accounts policies are 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 property taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct 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.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

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.

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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

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.

Valley Club Pointe Metropolitan District

Notes to Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall 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 presented on the modified accrual basis of accounting unless otherwise indicated.

The District amended its 2020 budget to allow for additional expenditures.

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 put the tax lien on the individual properties as of January 1 for 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 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 revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column 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. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Capital assets, which are anticipated to be conveyed to other governmental entities, are recorded as construction in progress and are not included in the calculation of invested in capital assets, net of related debt component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset 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.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, by the straight-line method. Depreciable lives of capital assets are as follows:

Parks and Recreation	40 years
Roadways	40 years
Sewer infrastructure	40 years
Water infrastructure	40 years

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. 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 portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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.

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

- *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 criteria described above. 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.

3. Cash Deposits and Investments

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 specified by the PDPA. PDPA requires the depository to create a single collateral pool for all public funds. The pool is for all the uninsured public deposits as a group and is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate of the uninsured deposits. The State Regulatory Commissions for banks and financial institutions 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's cash deposits and investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits not covered by depository insurance and uncollateralized. Category 2 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution. Category 3 includes deposits not covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The District has not adopted a formal investment policy.

At December 31, 2020, the District's cash deposits had a bank balance and a carrying balance as follows:

	Bank Balance	Carrying Balance
Insured deposits (FDIC)	<u>\$ 65,537</u>	<u>\$ 48,174</u>

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

3. Cash Deposits and Investments (continued)

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2020, the District's bank balance was not exposed to custodial credit risk. Deposits that are exposed to custodial credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

Colorado 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,
- 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 funds,
- guaranteed investment contracts, and
- local government investment pools.

During the year ended December 31, 2020, the District had no investments with a maturity greater than three months.

4. Property and Equipment

Property and Equipment—Governmental Funds

An analysis of the changes in property and equipment for the year ended December 31, 2020 is as follows:

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

4. Property and Equipment (continued)

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
By Classification				
Parks and Recreation	\$1,297,217	\$ -	\$ -	\$ 1,297,217
Roadways	3,552,333	-	-	3,552,333
Storm drainage	892,396	-	-	892,396
Water	<u>639,385</u>	<u>-</u>	<u>-</u>	<u>639,385</u>
	6,381,331	-	-	6,381,331
Amortization and depreciation	<u>(1,388,766)</u>	<u>(159,533)</u>	<u>-</u>	<u>(1,548,299)</u>
 Total	 <u>\$4,992,565</u>	 <u>\$ (159,533)</u>	 <u>\$ -</u>	 <u>\$ 4,833,032</u>

Depreciation expense for the year ended December 31, 2020 amounted to \$159,533.

5. Long-Term Debt

The following is an analysis of changes in general long-term debt for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Payments or Retirements	Balance December 31, 2020	Due Within One Year
Bonds payable:					
G.O. Bonds	<u>\$ 5,550,000</u>	<u>\$ -</u>	<u>\$ (3,300,000)</u>	<u>\$ 2,250,000</u>	<u>\$ -</u>
Notes payable:					
2020 Note Payable	<u>\$ -</u>	<u>\$ 6,190,000</u>	<u>\$ (235,000)</u>	<u>\$ 5,955,000</u>	<u>\$ 240,000</u>

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

5. Long-Term Debt (continued)

Series 2020—\$6,190,000 Refunding Loan

In February 2020, the District entered into a loan agreement with a commercial lender for a note payable in the amount of \$6,190,000 for the purpose of refunding the Series 2011 Subordinate Limited Tax General Obligation Bonds and funding public improvements. The loan bears an interest rate of 2.90% per annum, with interest payments due and payable semi-annually on June 1 and December 1 each year. Principal payments on the loan are due and payable on December 1 of each year through the maturity date of December 1, 2039.

In the event of default, as stipulated in the Loan Agreement, the lender may seek remedy as allowed by law.

Total loan principal maturities are as follows:

Year	Principal	Interest	Total
2021	\$ 235,000	\$ 171,055	\$ 406,055
2022	240,000	164,074	404,074
2023	245,000	156,889	401,889
2024	255,000	149,493	404,493
2025	260,000	141,882	401,882
2026-2030	1,465,000	587,229	2,052,229
2031-2035	1,685,000	360,692	2,045,692
2036-2039	1,535,000	102,052	1,637,052
	\$ 5,955,000	\$ 2,011,205	\$ 7,966,205

Series 2010—\$3,000,000 General Obligation Bonds

These bonds are dated June 15, 2010. The bonds consist of \$2,250,000 of term bonds due June 15, 2017, which bear an interest rate of 7.0%. At the Series 2010 Bond's maturity date, the District contacted the Series 2010 Bondholders. Because the Bonds accrue interest, it was determined that an extension of the maturity date was not warranted. Principal and interest are payable on June 15 and December 15 annually to the extent of funds collected by the District from the District's ad valorem tax levy of 25.000 mills, to commence in 2012, and from Public Improvement Assessment fees collected by the District, after payment of principal and interest on the Series 2020 loan referenced above. Such amounts paid by the District are first applied to accrued interest with the remainder, if any, applied to principal reduction. In the event and to the extent that such amounts are insufficient, unpaid interest shall accrued and compound semiannually on each interest payment date until paid. The remaining unpaid principal and interest shall be due at maturity. The bonds are subordinate to the 2020 Note Payable and subject to redemption prior to maturity at the option of the District. In the event of default, as stipulated in the Bond Agreement, the lender may seek remedy as allowed by law.

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

4. Long-Term Debt (continued)

Total bond principal and interest mature as follows (see additional explanation above):

Year	Principal	Interest	Total
2017	<u>\$ 2,250,000</u>	<u>\$ 1,094,656</u>	<u>\$ 3,344,656</u>
	<u>\$ 2,250,000</u>	<u>\$ 1,094,656</u>	<u>\$ 3,344,656</u>

Series 2011—\$3,300,000 Subordinate Limited Tax General Obligation Bonds

These bonds are dated December 15, 2011. The bonds consist of \$3,300,000 of term bonds due June 15, 2017, which bear an interest rate of 7.0%. Principal and interest are payable on June 15 and December 15 annually to the extent of funds collected by the District from the District’s ad valorem tax levy of 25.000 mills, to commence in 2012, and from Public Improvement Assessment fees collected by the District. Such amounts paid by the District are first applied to accrued interest with the remainder, if any, applied to principal reduction. In the event and to the extent that such amounts are insufficient, unpaid interest shall compound semiannually on each interest payment date until paid. The remaining unpaid principal and interest shall be due at maturity. The bonds are subject to redemption prior to maturity at the option of the District.

In February 2020, the Series 2011 bonds were refunded through loan funds from a note payable to a commercial lender, as referenced above – Series 2020 Refunding Loan.

Authorized Indebtedness

On November 2, 2010, the District’s voters authorized an increase in indebtedness by \$1,000,000 at an interest rate not to exceed 10%. The total authorized indebtedness at December 31, 2020 amounted to \$11,500,000.

Developer Advances

The District has entered into an Advance and Reimbursement Agreement with the Developer where the Developer is to provide for the advancement of certain monies to the District for capital improvement costs and operation and maintenance costs. As of December 31, 2020, there were no outstanding advances.

5. Related Parties

The Developer of the property which constitutes the District is Arapark, LLC. The members of the Board of Directors are officers, bondholders, employees or associated with the Developer and may have conflicts of interest in dealing with the District.

Valley Club Pointe Metropolitan District
Notes to Financial Statements (continued)
December 31, 2020

6. 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.

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.

Valley Club Pointe Metropolitan District

Supplementary Information

Valley Club Pointe Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property Taxes	\$ 247,654	\$ 238,224	\$ 238,224	\$ -
Specific ownership taxes	14,000	16,207	16,207	-
Interest income	-	566	566	-
Public improvement fees	235,000	228,966	228,966	-
Total Revenue	<u>496,654</u>	<u>483,963</u>	<u>483,963</u>	<u>-</u>
Expenditures:				
Bank service charge	-	10	10	-
Legal	200	3,558	3,558	-
Audit and administrative	-	-	-	-
Treasurer's Fees	3,745	3,553	3,553	-
Issuance costs	-	161,425	161,425	-
Principal payments	-	235,000	235,000	-
Interest expense	492,709	3,132,693	3,132,693	-
Total Expenditures	<u>496,654</u>	<u>3,536,239</u>	<u>3,536,239</u>	<u>-</u>
Excess Revenue Over (Under)				
Expenditures	<u>-</u>	<u>(3,052,276)</u>	<u>(3,052,276)</u>	<u>-</u>
Other financing sources (uses):				
Interfund transfers	-	63,390	63,390	-
Bond proceeds	-	6,190,000	6,190,000	-
Bond principal payments	-	(3,300,000)	(3,300,000)	-
Total other financing sources (uses)	<u>-</u>	<u>2,953,390</u>	<u>2,953,390</u>	<u>-</u>
Change in fund balance	-	(98,886)	(98,886)	-
Fund Balance—Beginning of year	<u>99,280</u>	<u>99,280</u>	<u>99,280</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ 99,280</u>	<u>\$ 394</u>	<u>\$ 394</u>	<u>\$ -</u>

Valley Club Pointe Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Total Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	-	-
Contingency	-	-	-	-
Total Expenditures	-	-	-	-
Excess Revenue Over (Under)				
Expenditures	-	-	-	-
Other financing sources (uses):				
Bond issuance	-	-	-	-
Interfund transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balance	-	-	-	-
Fund Balance—Beginning of year	-	-	-	-
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>