

Orchard Valley Metropolitan District

Arapahoe County, Colorado

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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COLORADO CPA COMPANY

Independent Auditor's Report

Board of Directors
Orchard Valley Metropolitan District
Arapahoe County, Colorado

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orchard Valley Metropolitan District's basic financial statements. The supplemental information as listed in the table of contents is not a required part of the basic financial statements.

The supplemental 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. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado

July 29, 2022

Orchard Valley Metropolitan District
Governmental Funds Balance Sheet/Statement of Net Position
December 31, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash and investments	\$ 605,140	\$ -	\$ 605,140	\$ -	\$ 605,140
Cash and investments - restricted	-	929,689	929,689	-	929,689
Receivable from County Treasurer	1,205	4,294	5,499	-	5,499
Property taxes receivable - 2022	213,479	760,204	973,683	-	973,683
Capital assets, net of accumulated depreciation	-	-	-	6,892,818	6,892,818
Total assets	<u>\$ 819,824</u>	<u>\$ 1,694,187</u>	<u>\$ 2,514,011</u>	6,892,818	9,406,829
Liabilities					
Accounts payable	\$ 2,312	\$ -	\$ 2,312	-	2,312
Long-term liabilities:					
Accrued interest on bonds	-	-	-	24,823	24,823
Due within one year	-	-	-	255,000	255,000
Due within more than one year	-	-	-	4,920,000	4,920,000
Total liabilities	2,312	-	2,312	5,199,823	5,202,135
Deferred inflows of resources					
Deferred property taxes	213,479	760,204	973,683	-	973,683
Total deferred inflows of resources	213,479	760,204	973,683	-	973,683
Fund balances					
Restricted:					
Emergencies	16,243	-	16,243	(16,243)	-
Debt service	-	933,983	933,983	(933,983)	-
Capital Projects	-	-	-	-	-
Unassigned	587,790	-	587,790	(587,790)	-
Total fund balances	<u>604,033</u>	<u>933,983</u>	<u>1,538,016</u>	<u>(1,538,016)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 819,824</u>	<u>\$ 1,694,187</u>	<u>\$ 2,514,011</u>		
Net position					
Net investment in capital assets				1,717,818	1,717,818
Restricted for:					
Emergencies				16,243	16,243
Debt Service				933,983	933,983
Capital Projects				-	-
Unrestricted				562,967	562,967
Total net position				<u>\$ 3,231,011</u>	<u>\$ 3,231,011</u>

Note: the accompanying notes are an integral part of these 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, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Expenditures					
Accounting and audit	\$ 3,500	\$ -	\$ 3,500	\$ -	\$ 3,500
Bank Fees	378	-	378	-	378
Directors fees	500	-	500	-	500
Dues	419	-	419	-	419
Legal	8,074	-	8,074	-	8,074
Insurance	1,919	-	1,919	-	1,919
Management fees	30,000	-	30,000	-	30,000
Maintenance:					
Landscaping	28,046	-	28,046	-	28,046
Lighting	-	-	-	-	-
Snow removal	4,508	-	4,508	-	4,508
Street	-	-	-	-	-
Miscellaneous	598	-	598	-	598
Treasurer's fees	3,210	11,432	14,642	-	14,642
Utilities	15,590	-	15,590	-	15,590
Debt service:					
Debt principal	-	240,000	240,000	(240,000)	-
Bond interest	-	310,475	310,475	(1,050)	309,425
Paying agent fees	-	300	300	-	300
Total expenditures/expenses	<u>96,742</u>	<u>562,207</u>	<u>658,949</u>	<u>(241,050)</u>	<u>417,899</u>
General revenues					
Property taxes	214,025	762,133	976,158	-	976,158
Specific ownership taxes	14,752	52,531	67,283	-	67,283
Interest income and miscellaneous	693	6	699	-	699
Total general revenues	<u>229,470</u>	<u>814,670</u>	<u>1,044,140</u>	<u>-</u>	<u>1,044,140</u>
Excess (deficiency) of revenues over expenditures	132,728	252,463	385,191	241,050	626,241
Other financing source (uses)					
Transfer (to)/from other funds	<u>52,531</u>	<u>(52,531)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	52,531	(52,531)	-	-	-
Net changes in fund balances	185,259	199,932	385,191	(385,191)	
Change in net position				626,241	626,241
Fund balances / net position					
Beginning of year	418,774	734,051	1,152,825	1,451,945	2,604,770
End of year	<u>\$ 604,033</u>	<u>\$ 933,983</u>	<u>\$ 1,538,016</u>	<u>\$ 1,692,995</u>	<u>\$ 3,231,011</u>

Note: the accompanying notes are an integral part of these financial statements.

Orchard Valley Metropolitan District
General Fund – Statement of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures			
Accounting and audit	\$ 6,000	\$ 3,500	\$ 2,500
Bank fees	-	378	(378)
Directors fees	500	500	-
Dues	-	419	(419)
Legal	5,000	8,074	(3,074)
Insurance	4,620	1,919	2,701
Management fees	30,000	30,000	-
Maintenance:			
Landscaping	62,000	28,046	33,954
Lighting	-	-	-
Snow removal	10,000	4,508	5,492
Street	20,000	-	20,000
Other	10,000	-	10,000
Miscellaneous	-	598	(598)
Treasurer's fees	3,211	3,210	1
Utilities	12,000	15,590	(3,590)
Contingency and emergency reserve	14,000	-	14,000
Total expenditures/expenses	<u>177,331</u>	<u>96,742</u>	<u>80,589</u>
General revenues			
Property taxes	214,040	214,025	(15)
Specific ownership taxes	4,887	14,752	9,865
Interest income	6,700	693	(6,007)
Total general revenues	<u>225,627</u>	<u>229,470</u>	<u>3,843</u>
Excess (deficiency) of revenues over expenditures and net changes in fund balance			
	48,296	132,728	84,432
Other financing source (uses)			
Transfer (to)/from other funds	45,470	52,531	7,061
Net other financing sources (uses)	<u>45,470</u>	<u>52,531</u>	<u>7,061</u>
Net changes in fund balance	93,766	185,259	91,493
Fund balances			
Beginning of year	466,689	418,774	(47,915)
End of year	<u>\$ 560,455</u>	<u>\$ 604,033</u>	<u>\$ 43,578</u>

Note: the accompanying notes are an integral part of these financial statements.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

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. In August 2012, the District amended its service plan to expand the District’s powers to provide public infrastructure improvements and public services within and without the District as follows: water, storm sewer, sanitation and wastewater treatment, street and roadway improvement, traffic and safety control, parks and recreation, transportation, television relay and translator facilities, mosquito and pest control, and solid waste disposal.

As required by accounting principles generally accepted in the United States of America (“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 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.

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

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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. For the most part, the effect of inter-fund activity has been eliminated from these financial statements.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 and 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 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 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.

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

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 on its basis of accounting unless otherwise indicated.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2021, 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.

Cash

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 net asset value.

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.

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 has no items that qualify for reporting in this category.

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 are available or collected.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property and infrastructure assets (e.g. streets, water system, sewer system and similar items), are reported in the applicable governmental or business-type 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Land and certain landscaping improvements are not depreciated. No depreciation is being computed on the District's capital assets as the capital assets will be transferred to other governmental entities. Once transferred, the District will no longer be responsible for the maintenance or repair of the capital assets (see Note 10).

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 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. Because circumstances differ among governments, not every government or every governmental fund will present all of these components.

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

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.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

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. During the year, the District transferred specific ownership taxes received in the Debt Service Fund of \$52,531 to the General Fund.

Restricted Fund Balance

Emergency Reserves are provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$16,243 of the General Fund balance has been restricted in accordance with this requirement as of December 31, 2021.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

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 position first.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 who 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.

Note 3 – Cash and Investments

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

Statement of net position:

Cash and investments - unrestricted	\$ 605,140
Cash and investments - restricted	<u>929,689</u>
Total	<u><u>\$ 1,534,829</u></u>

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

Deposits with financial institutions	\$ 13,853
Investment - COLOTRUST	<u>1,520,976</u>
Total	<u><u>\$ 1,534,829</u></u>

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Cash and Investments (continued)

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, 2021, the District’s cash deposits had a bank balance of \$13,953 and a carrying balance of \$13,853.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, none of the District’s bank balance was exposed to custodial credit risk.

Investments

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

- * Obligations of the United States and certain U.S. government agency securities
- 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.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 3 – Cash and Investments (continued)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Liquid Asset Trust ("COLOTRUST")	Weighted Average Under 60 Days	<u>\$ 1,520,976</u>
Total investments		<u>\$ 1,520,976</u>

COLOTRUST

The District had invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioners administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. COLOTRUST 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 any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST'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 COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor's. 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.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by GAAP. 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 investment are not required to be categorized within the fair value hierarchy. This investment's value for COLOTRUST is calculated using the net asset value method ("NAV") per share

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Capital Assets

The following is an analysis of changes in capital assets for the year ended December 31, 2021:

<u>Governmental-type activities</u>	<u>Balance 1/1/2021</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance 12/31/2021</u>
Capital assets not being depreciated:				
Landscaping improvements	\$ 6,892,818	\$ -	\$ -	\$ 6,892,818
Total capital assets not being depreciated	<u>\$ 6,892,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,892,818</u>

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, 2021:

	<u>Balances 1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances 12/31/2021</u>	<u>Current Portion</u>
Taxable General Obligation Bonds - Series 2015	\$ 5,415,000	\$ -	\$ (240,000)	\$ 5,175,000	\$ 255,000
Total long-term obligations	<u>\$ 5,415,000</u>	<u>\$ -</u>	<u>\$ (240,000)</u>	<u>\$ 5,175,000</u>	<u>\$ 255,000</u>

General obligation bonds issued for governmental activities are liquidated by the debt service fund.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Long-Term Obligations (continued)

The details of the District’s long-term obligation are as follows:

\$6,450,000 Taxable General Obligation Bonds, Series 2015, dated September 3, 2015, 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, 2020, 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 1, 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 and without premium. The most significant event of default is non-payment on required principal and interest.

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

Year Ending December 31,	Principal	Interest	Total
2022	\$ 255,000	\$ 297,875	\$ 552,875
2023	270,000	284,487	554,487
2024	280,000	270,313	550,313
2025	295,000	255,612	550,612
2026	310,000	240,125	550,125
2027-2031	1,855,000	910,250	2,765,250
2032-2035	1,910,000	294,900	2,204,900
Total	<u>\$ 5,175,000</u>	<u>\$ 2,553,562</u>	<u>\$ 7,728,562</u>

Note 7 – 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 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 \$30,000 were paid to the Developer during 2021.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – 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. On November 3, 2020, a majority of the qualified electors of the District authorized an additional total indebtedness of \$110,000,000. At December 31, 2021, SPIMD had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

Use	Amount Authorized on May 4, 2004	Amount Authorized on November 3, 2020	Total Authorized	Authorization Used on Series 2004 Bonds	Authorized but Unused
Transportation	\$ 25,000,000	\$ 25,000,000	\$ 50,000,000	\$ (7,925,000)	\$ 42,075,000
Street improvements	25,000,000	25,000,000	50,000,000	-	50,000,000
Street safety	25,000,000	-	25,000,000	-	25,000,000
Business recruitment	-	10,000,000	10,000,000	-	10,000,000
Parks and recreation	-	25,000,000	25,000,000	-	25,000,000
Traffic and safety	-	25,000,000	25,000,000	-	25,000,000
Total	<u>\$ 75,000,000</u>	<u>\$ 110,000,000</u>	<u>\$ 185,000,000</u>	<u>\$ (7,925,000)</u>	<u>\$ 177,075,000</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.

Note 10 – Intergovernmental Agreement with the City of Greenwood Village

In 2015, the District entered into an Intergovernmental Agreement with the City of Greenwood Village (“IGA”) which requires the District to construct and install certain public infrastructure improvements, and contribute certain amounts of funding towards other specified improvements which will be constructed and installed by other governments. These public improvements shall be dedicated to the City of Greenwood Village for maintenance.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – 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 (the “Pool”) as of December 31, 2021. 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 12 – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provision of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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. Any operating expense shortfall is funded by the Developer and therefore no 3% emergency reserve is provided.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 12 – Tax, Spending and Debt Limitations (continued)

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.

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:

Capital assets	\$ 6,892,818
Accrued interest on bonds	(24,823)
Bonds payable	<u>(5,175,000)</u>
Total	<u><u>\$ 1,692,995</u></u>

Capital improvements used in governmental activities are not financial resources and, therefore, not reported in the funds. Long-term liabilities such as bonds payable and accrued interest on bonds are not due and payable in the current period and, therefore, are not in the funds.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 13 – Reconciliation of Government-Wide and Fund Financial Statements (continued)

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

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

Interest	\$ (1,050)
Bond principal	<u>(240,000)</u>
Total	<u>\$ (241,050)</u>

Governmental funds report bond repayments as expenditures; however, the bonds are reflected as a liability in the government-wide financial statements, and proceeds/repayments are reported as changes to the liability. Additionally, governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the government-wide Statement of Activities.

Supplemental Information

Orchard Valley Metropolitan District
Debt Service Fund – Schedule of Revenues, Expenditures
and Changes in Fund Balance – Budget and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures			
Bond interest paid	\$ 310,475	\$ 310,475	\$ -
Bond principal paid	240,000	240,000	-
Paying agent fees	300	300	-
Treasurer's fees	11,433	11,432	1
Total expenditures/expenses	<u>562,208</u>	<u>562,207</u>	<u>1</u>
General revenues			
Property taxes	762,203	762,133	(70)
Specific ownership taxes	45,470	52,531	7,061
Interest income and miscellaneous	3,881	6	(3,875)
Total revenues	<u>811,554</u>	<u>814,670</u>	<u>3,116</u>
Excess (deficiency) of revenues over expenditures and net changes in fund balance	249,346	252,463	3,117
Other financing source (uses)			
Transfer (to)/from other funds	(45,470)	(52,531)	(7,061)
Net other financing sources (uses)	<u>(45,470)</u>	<u>(52,531)</u>	<u>(7,061)</u>
Net changes in fund balances	203,876	199,932	(3,944)
Fund balances			
Beginning of year	663,523	734,051	70,528
End of year	<u>\$ 867,399</u>	<u>\$ 933,983</u>	<u>\$ 66,584</u>

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

Orchard Valley Metropolitan District
 Capital Projects Fund – Schedule of Revenues, Expenditures
 and Changes in Fund Balance – Budget and Actual
 For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures			
Capital assets acquired	\$ -	\$ -	\$ -
Total expenditures/expenses	-	-	-
General revenues			
Property taxes	-	-	-
Specific ownership taxes	-	-	-
Interest income	-	-	-
Total revenues	-	-	-
Excess (deficiency) of revenues over expenditures and net changes in fund balance	-	-	-
Other financing source (uses)			
Transfer to/from other funds	-	-	-
Net other financing sources (uses)	-	-	-
Net changes in fund balances	-	-	-
Fund balances			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Orchard Valley Metropolitan District
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2021

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General Fund	Mills Levied for Debt Service Fund	Total Property Taxes:		Percent Collected to Levied
				Levied	Collected	
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	96.36%
2003	\$ 32,852,730	1.920	0.996	\$ 88,308	\$ 85,178	96.46%
2004	\$ 24,705,720	1.414	0.000	\$ 34,934	\$ 35,620	101.96%
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	96.44%
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	100.01%
2016	\$ 22,241,819	5.130	23.500	\$ 634,783	\$ 588,017	92.63%
2017	\$ 20,700,532	5.412	23.500	\$ 598,494	\$ 524,461	87.63%
2018	\$ 31,950,017	7.758*	20.000	\$ 886,781	\$ 886,781	100.00%
2019	\$ 44,528,061	4.686	15.000	\$ 876,579	\$ 876,127	99.95%
2020	\$ 71,376,657	3.089	14.000	\$ 1,219,755	\$ 1,213,088	99.45%
2021	\$ 69,291,189	3.089	11.000	\$ 976,244	\$ 976,158	99.99%
Estimated for calendar year ending December 31, 2022:						
	\$ 69,109,453	3.089	11.000	\$ 973,683		

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.

** Includes additional mill levy for refunds and abatements of 2.504 mills*

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