

**PINEY CREEK VILLAGE
METROPOLITAN DISTRICT**

Financial Statements

Year Ended December 31, 2021

with

Independent Auditors' Report

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Independent Auditors' Report

Board of Directors
Piney Creek Village Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Piney Creek Village 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Piney Creek Village 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 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 opinion.

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 judgment 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary schedules and property tax information listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The budgetary schedules have 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 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 budgetary schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Simmons & Whelan P.C.

Englewood, CO
March 24, 2022

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	Debt <u>Service</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS					
Cash and investments	\$ 56,991	\$ -	\$ 56,991	\$ -	\$ 56,991
Cash and investments - restricted	1,098	272,785	273,883	-	273,883
Receivable - County Treasurer	193	2,188	2,381	-	2,381
Property taxes receivable	33,793	382,971	416,764	-	416,764
Prepaid expenses	<u>3,554</u>	<u>-</u>	<u>3,554</u>	<u>-</u>	<u>3,554</u>
Total Assets	<u>95,629</u>	<u>657,944</u>	<u>753,573</u>	<u>-</u>	<u>753,573</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,880</u>	<u>64,880</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,880</u>	<u>64,880</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 95,629</u>	<u>\$ 657,944</u>	<u>\$ 753,573</u>		
LIABILITIES					
Accounts payable	\$ 3,368	\$ -	\$ 3,368	-	3,368
Accrued interest on bonds	-	-	-	10,767	10,767
Long-term liabilities:					
Due within one year	-	-	-	210,000	210,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,545,000</u>	<u>4,545,000</u>
Total Liabilities	<u>3,368</u>	<u>-</u>	<u>3,368</u>	<u>4,765,767</u>	<u>4,769,135</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>33,793</u>	<u>382,971</u>	<u>416,764</u>	<u>-</u>	<u>416,764</u>
Total Deferred Inflows of Resources	<u>33,793</u>	<u>382,971</u>	<u>416,764</u>	<u>-</u>	<u>416,764</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	3,554	-	3,554	(3,554)	-
Restricted:					
Emergencies	1,098	-	1,098	(1,098)	-
Debt service	-	274,973	274,973	(274,973)	-
Unassigned	<u>53,816</u>	<u>-</u>	<u>53,816</u>	<u>(53,816)</u>	<u>-</u>
Total Fund Balances	<u>58,468</u>	<u>274,973</u>	<u>333,441</u>	<u>(333,441)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 95,629</u>	<u>\$ 657,944</u>	<u>\$ 753,573</u>		
Net Position:					
Restricted for:					
Emergencies				1,098	1,098
Debt service				264,206	264,206
Unrestricted				<u>(4,632,750)</u>	<u>(4,632,750)</u>
Total Net Position				<u>\$ (4,367,446)</u>	<u>\$ (4,367,446)</u>

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

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
General expenses:					
Accounting	\$ 7,630	\$ -	\$ 7,630	\$ -	\$ 7,630
Audit	4,000	-	4,000	-	4,000
Directors fees	400	-	400	-	400
Insurance	3,554	-	3,554	-	3,554
Legal	6,500	-	6,500	-	6,500
Management fees	5,112	-	5,112	-	5,112
Miscellaneous expenses	2,228	-	2,228	-	2,228
Payroll taxes	25	-	25	-	25
SDA	298	-	298	-	298
Treasurer's fees	516	5,834	6,350	-	6,350
Debt Service:					
Loan principal	-	205,000	205,000	(205,000)	-
Loan interest expense	-	134,774	134,774	17,643	152,417
Paying agent fees	-	2,750	2,750	-	2,750
	<u>30,263</u>	<u>348,358</u>	<u>378,621</u>	<u>(187,357)</u>	<u>191,264</u>
GENERAL REVENUES					
Property taxes	34,320	388,951	423,271	-	423,271
Specific ownership taxes	2,365	26,806	29,171	-	29,171
Interest income	83	806	889	-	889
	<u>36,768</u>	<u>416,563</u>	<u>453,331</u>	<u>-</u>	<u>453,331</u>
NET CHANGES IN FUND BALANCES	6,505	68,205	74,710	(74,710)	
CHANGE IN NET POSITION				262,067	262,067
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>51,963</u>	<u>206,768</u>	<u>258,731</u>	<u>(4,888,244)</u>	<u>(4,629,513)</u>
END OF YEAR	<u>\$ 58,468</u>	<u>\$ 274,973</u>	<u>\$ 333,441</u>	<u>\$ (4,700,887)</u>	<u>\$ (4,367,446)</u>

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

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	<u>Original and</u> <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 34,320	\$ 34,320	\$ -
Specific ownership taxes	2,000	2,365	365
Interest income	<u>800</u>	<u>83</u>	<u>(717)</u>
Total Revenues	<u>37,120</u>	<u>36,768</u>	<u>(352)</u>
EXPENDITURES			
Accounting	9,900	7,630	2,270
Audit	5,000	4,000	1,000
Directors fees	600	400	200
Insurance	4,000	3,554	446
Legal	6,150	6,500	(350)
Management fees	8,000	5,112	2,888
Miscellaneous expenses	1,000	2,228	(1,228)
Payroll taxes	45	25	20
SDA	400	298	102
Treasurer's fees	515	516	(1)
Contingency	12,000	-	12,000
Emergency reserve	<u>1,114</u>	<u>-</u>	<u>1,114</u>
Total Expenditures	<u>48,724</u>	<u>30,263</u>	<u>18,461</u>
NET CHANGE IN FUND BALANCE	(11,604)	6,505	18,109
FUND BALANCE:			
BEGINNING OF YEAR	<u>42,918</u>	<u>51,963</u>	<u>9,045</u>
END OF YEAR	<u>\$ 31,314</u>	<u>\$ 58,468</u>	<u>\$ 27,154</u>

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

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Piney Creek Village Metropolitan District, (“the District”), located in Arapahoe County, Colorado (“the County”); 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 June 18, 2001, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain improvements that benefit the citizens 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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation

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

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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

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 all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

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.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, 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.

Deposits and Investments

The District's cash and cash equivalents 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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

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.

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. As of December 31, 2021, the District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

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 expense was recognized during 2021.

All assets were transferred to Arapahoe County and East Cherry Creek Valley Water and Sanitation District as of December 2003.

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 30 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.

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.

Property owners within the boundaries of the District have been assessed \$416,764 for 2021. Since these taxes are not normally available to the District until 2022, they are classified as deferred income until 2022.

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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

Loss on Refunding

The Loss on Refunding from the 2015 Loan is being amortized over the term of the refunding loan using the straight line method. Accumulated amortization on the loss on refunding amounted to \$120,713 at December 31, 2021.

Fund Equity

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.

The nonspendable fund balance in the General Fund in the amount of \$3,554 represents prepaid expenditures.

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 \$1,098 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 \$274,973 is restricted for the payment of the debt service costs associated with the 2015 Loan (see Note 4).

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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 classification first when more than one 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 reports 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 or 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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	\$ 56,991
Cash and investments - Restricted	<u>273,883</u>
Total	\$ <u>330,874</u>

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

Deposits with financial institutions	\$ 5,265
Investments – COLOTRUST	<u>325,609</u>
	\$ <u>330,874</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 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 follows state statutes 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 investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 2: Cash and Investments (continued)

Credit Risk

The District investment policy requires that the District follow 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.

As of December 31, 2021, 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. 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 Trust. 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, 2021, the District had \$325,609 invested in COLOTRUST.

Note 3: Capital Assets

The District has previously completed and transferred all capital assets to Arapahoe County and East Cherry Creek Valley Water and Sanitation District.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2021:

	Balance	Additions	Retirements	Balance	Current
	12-31-20			12-31-21	Portion
<u>Loans from direct borrowing and direct placements:</u>					
Refunding Loan-Series 2015	\$ 4,960,000	\$ -	\$ 205,000	\$ 4,755,000	\$ 210,000
Total Long-term Debt	\$ 4,960,000	\$ -	\$ 205,000	\$ 4,755,000	\$ 210,000

A description of the long-term obligations as of December 31, 2021, is as follows:

2015 Loan Agreement and Note (\$6,085,000)

On May 5, 2015, the District and U.S. Bank National Association (the “Bank”) entered into a Loan Agreement pursuant to which the Bank loaned the District \$6,085,000 (“2015 Loan”) for the purpose of refunding the District’s \$6,600,000 General Obligation Limited Tax Convertible to Unlimited Tax Bonds, Series 2005 (“2005 Bonds”). The 2015 Loan was obtained to provide \$6,400,261 in order to refund the outstanding balance of the 2005 Bonds of \$6,070,000. The District executed a Promissory Note evidencing the 2015 Loan in the total amount of \$6,085,000.

The 2015 Loan matures on August 1, 2025 and bears interest at a fixed rate of 2.68%. Principal payments on the Loan are due on each December 1, commencing on December 1, 2015, and interest payments are due on each June 1 and December 1, commencing December 1, 2015. On any date on or after May 5, 2022, the District may, at its option, prepay all or any part of the principal of the Loan plus accrued without any prepayment penalty.

The 2015 Loan is payable from and secured by the Pledged Revenue, which consists of the Required Mill Levy (described below), the portion of the Specific Ownership Taxes (as defined in the Loan Agreement) allocable to the amount of the Required Mill Levy, and any other legally available moneys which the Board of Directors of the District determines in its sole discretion to apply as Pledged Revenue. Subject to the limitations of the District’s electoral authorization, and as further described in Loan Agreement, the Required Mill Levy means (a) prior to the Maturity Date, an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, when combined with moneys held in the Loan Payment Fund (as defined in the Loan Agreement), to pay the Estimated Debt Requirements (as defined in the Loan Agreement), but not in excess of 99.00 mills less the amount of the Operations Mill Levy (as defined in the Loan Agreement), and (b) for any debt service tax levy occurring on or after the Maturity Date, an ad valorem mill levy imposed upon all taxable property of the District each year in the amount of 61.181 mills as adjusted by the Gallagher amendment.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 4: Long-Term Debt (continued)

Events of Default as defined by the Loan Agreement include a) failure by the District to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Loan Agreement, b) failure by the District to pay the principal of or interest on the Loan or any other amount payable to the Bank under the Loan Agreement when due, c) failure by the District to perform any of the covenants, agreements, or conditions required by the Series 2015 Loan Agreement or the other Financing documents and failure to remedy the default within 30 days of notice by the Bank, provided, however, that there shall be no Event of Default for failure to perform any of these covenants, agreements, or conditions if a court or other jurisdiction has determined them to be unlawful, d) determination that any representation or warranty made by the District proves to be untrue or incomplete in any material respect, e) the occurrence and continuance of an event of default or an event of nonperformance under the Custodial Agreement or any of the other Financing Documents after the expiration of any grace period, f) failure by the District to pay the principal of or interest when due on any financial obligation of the District and continuance of such default beyond any grace period, g) the pledge of the Pledged Revenue or any other security interest created under the Loan Agreement fails to be fully enforceable with the priority required therein, h) any judgement or court order exceeding insurance coverage in excess of \$50,000 is rendered against the District and the District fails to pay or satisfy such judgment for 30 days, i) a change occurs in the financial or operating condition of the District which the Bank judges to have a material adverse impact on the District and its ability to satisfy its obligations under this agreement and the District fails to cure such condition within the time specified by the Bank, j) the District commences any case, proceeding, or other action relating to bankruptcy, insolvency, reorganization, relief of debtors or appointment of a receiver, trustee or custodian, k) any financing document related to the Series 2015 Loan or pledge or security interest related to such documents ceases to be valid or enforceable, l) the District's auditor delivers a qualified opinion with respect to the District's status as a going concern, m) any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established under the Loan Agreement or Custodial Agreement shall become subject to any writ, judgment, warrant, attachment, execution, or similar process, or n) any determination, decision, or decree by the IRS or other court which results in interest payable on the Series 2015 Loan becoming includable in the gross income of an owner, unless appealed or contested in good faith by the District. Remedies are available to the Lender as described in the Loan Agreement, however, except for the application of the interest rate being changed to a Default Rate, no remedy will be available solely because of the failure of the District to pay principal of, or interest on, the Loan when due. Acceleration of the Loan is also not an available remedy for an Event of Default.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 4: Long-Term Debt (continued)

As a result of the issuance of the 2015 Loan, the 2005 Bonds are considered to be defeased and the liabilities have been removed from the governmental activities column of the statement of net position. The reacquisition price of the old debt exceeded the net carrying amount by \$185,593. This amount is recorded as a deferred outflow and is being amortized over the life of the 2015 Loan. The refunding resulted in an economic gain of approximately \$1,422,345 due to the average interest rate of the Series 2015 Loan being lower than the refunded bonds.

The following is a summary of the annual long-term debt principal and interest requirements as of December 31, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 210,000	\$ 129,204	\$ 339,204
2023	215,000	123,498	338,498
2024	225,000	117,978	342,978
2025	<u>4,105,000</u>	<u>74,259</u>	<u>4,179,259</u>
	<u>\$ 4,755,000</u>	<u>\$ 444,939</u>	<u>\$ 5,199,939</u>

The District had no unused lines of credit as of December 31, 2021.

Note 5: Debt Authorization

As of December 31, 2021, the District had \$12,315,000 of authorized but unissued debt for providing public improvements. In the future, the District 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 the District's service area. The District did not budget to issue any debt in 2022.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 6: Service Plan

In December 2014, the District petitioned the City of Centennial (the “City”) for acceptance as approving authority over the District which is located entirely within the boundaries of the City and for approval of an amendment to the District’s Service Plan, to remove the Limited Mill Levy cap as defined in the District’s Service Plan. Upon approval of both petitions by the City Council on February 17, 2015, all authority that had been vested with Arapahoe County was transferred to the City. The First Amendment to the Service Plan of the District was approved, removing the Limited Mill Levy cap with the objective to lower the District’s overall mill levy in the long-term by refinancing its existing bonds and lowering the annual interest rate on its indebtedness. These goals can be met by pledging an unlimited mill levy for bond repayment.

Note 7: 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.

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 6, 2001 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.

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., C.R.S., 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 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) 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; and
- 2) 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

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 388,950	\$ 388,951	\$ 1
Specific ownership taxes	23,250	26,806	3,556
Interest income	<u>400</u>	<u>806</u>	<u>406</u>
Total Revenues	<u>412,600</u>	<u>416,563</u>	<u>3,963</u>
EXPENDITURES			
Loan principal	205,000	205,000	-
Loan interest expense	134,774	134,774	-
Paying agent fees	2,750	2,750	-
Treasurer's fees	<u>5,834</u>	<u>5,834</u>	<u>-</u>
Total Expenditures	<u>348,358</u>	<u>348,358</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	64,242	68,205	3,963
FUND BALANCE:			
BEGINNING OF YEAR	<u>198,765</u>	<u>206,768</u>	<u>8,003</u>
END OF YEAR	<u><u>\$ 263,007</u></u>	<u><u>\$ 274,973</u></u>	<u><u>\$ 11,966</u></u>

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

PINEY CREEK VILLAGE METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2021

<u>Year Ended</u> <u>December 31,</u>	<u>Year Property</u> <u>Tax Levy</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</u>	
2003	\$ 1,894,570	37.000	0.000	\$ 70,099	\$ 69,664	99.38%
2004	\$ 3,359,730	37.000	0.000	\$ 124,310	\$ 120,475	96.91%
2005	\$ 4,384,570	42.550	0.000	\$ 186,563	\$ 186,563	100.00%
2006	\$ 5,643,470	2.550	40.000	\$ 240,130	\$ 240,130	100.00%
2007	\$ 8,491,620	2.550	40.000	\$ 361,318	\$ 361,319	100.00%
2008	\$ 10,377,960	2.550	40.000	\$ 441,582	\$ 441,265	99.93%
2009	\$ 10,352,350	2.550	40.000	\$ 440,492	\$ 440,286	99.95%
2010	\$ 8,427,110	4.000	40.000	\$ 370,793	\$ 369,392	99.62%
2011	\$ 8,405,700	4.000	40.000	\$ 369,851	\$ 369,851	100.00%
2012	\$ 7,659,960	4.500	48.000	\$ 402,148	\$ 402,148	100.00%
2013	\$ 7,694,120	4.500	55.000	\$ 457,800	\$ 457,800	100.00%
2014	\$ 8,322,670	5.500	54.000	\$ 495,199	\$ 494,151	99.79%
2015	\$ 8,330,099	5.500	54.000	\$ 495,641	\$ 495,641	100.00%
2016	\$ 9,331,398	3.000	34.000	\$ 345,262	\$ 345,264	100.00%
2017	\$ 9,345,357	3.011	34.000	\$ 345,881	\$ 345,881	100.00%
2018	\$ 9,686,971	3.313	37.550	\$ 395,839	\$ 395,839	100.00%
2019	\$ 9,693,469	3.313	37.550	\$ 396,104	\$ 396,104	100.00%
2020	\$ 10,239,422	3.340	37.852	\$ 421,783	\$ 421,766	100.00%
2021	\$ 10,275,559	3.340	37.852	\$ 423,270	\$ 423,271	100.00%
Estimated for year ending December 31, 2022	\$ 10,117,588	3.340	37.852	\$ 416,764		

NOTE

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.