

GREEN TREE METROPOLITAN DISTRICT NO. 1

FINANCIAL STATEMENTS

December 31, 2021

GREEN TREE METROPOLITAN DISTRICT NO. 1

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Green Tree Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Green Tree Metropolitan District No. 1 as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Green Tree Metropolitan District No. 1'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 the major funds of Green Tree Metropolitan District No. 1 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. 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 Green Tree Metropolitan District No. 1 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Tree Metropolitan District No. 1'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 Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of 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 Green Tree Metropolitan District No. 1'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 Green Tree Metropolitan District No. 1'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.

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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green Tree Metropolitan District No. 1's financial statements as a whole. The other supplemental information which includes the Debt Service Fund - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, and the Capital Projects Fund - Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual, as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Longmont, Colorado
September 27, 2022

GREEN TREE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 20,634
Property taxes receivable	758
Ownership taxes receivable	3
Prepaid expenses	2,532
Deposits	30,000
Capital assets, net of accumulated depreciation	13,629,166
Total Assets	13,683,093
Liabilities	
Current Liabilities	
Accounts payable	6,219
Property tax abatement payable	312
Total Current Liabilities	6,531
Long Term Liabilities:	
Accrued interest	2,955,950
Due in more than one year	30,405,104
Total Long Term Liabilities	33,361,054
Total Liabilities	33,367,585
Deferred Inflows of Resources	
Deferred property tax revenue	758
Total Deferred Inflows of Resources	758
Net Position	
Net Investment in Capital Assets	(19,731,888)
Restricted for:	
Emergency reserve	1,477
Unrestricted	45,161
Total Net Position	\$ (19,685,250)

The accompanying notes and independent auditors' report are an integral part of the financial statements.

GREEN TREE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental activities:					
General government	\$ 428,267	\$ -	\$ -	\$ -	\$ 428,267
Interest and related costs on long-term debt	210,000	-	-	-	210,000
Total governmental activities	<u>638,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>638,267</u>
Total Governmental Activities	<u>\$ 638,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,267</u>
General Revenues:					
Property Taxes					\$ 532
Specific Ownership Taxes					<u>41</u>
Total general revenues					<u>573</u>
Change in Net Position					(637,694)
Net Position, Beginning of Year					<u>(19,047,556)</u>
Net position, End of Year					<u>\$ (19,685,250)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

GREEN TREE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 20,634	-	-	\$ 20,634
Property taxes receivable	758	-	-	758
Ownership taxes receivable	3	-	-	3
Internal balances	30,000	(30,000)	-	-
Prepaid expenses	2,532	-	-	2,532
Deposits	-	30,000	-	30,000
Total current assets	<u>53,927</u>	<u>-</u>	<u>-</u>	<u>53,927</u>
 Total Assets	 <u>53,927</u>	 <u>-</u>	 <u>-</u>	 <u>53,927</u>
Liabilities				
Current Liabilities				
Accounts payable	6,219	-	-	6,219
Property tax abatement payable	312	-	-	312
Total current liabilities	<u>6,531</u>	<u>-</u>	<u>-</u>	<u>6,531</u>
Deferred Inflows of Resources				
Property tax revenue	758	-	-	758
Total Deferred Inflows of Resources	<u>758</u>	<u>-</u>	<u>-</u>	<u>758</u>
Fund Balances				
Nonspendable				
Prepaid items	2,532	-	-	2,532
Restricted for:				
Emergency reserve	1,477	-	-	1,477
Unassigned				
General government	42,629	-	-	42,629
Total fund balances	<u>46,638</u>	<u>-</u>	<u>-</u>	<u>46,638</u>
 Total Liabilities, Fund Balance, and Deferred Inflows	 <u>\$ 53,927</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 53,927</u>

Amounts reported for governmental funds in the Statement of Net Position are different because:

Total governmental fund balances:	\$ 46,638
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	13,629,166
Long-term liabilities, including limited obligation notes and developer advances, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.	
Limited obligation notes	(26,826,267)
Operating advances	(578,837)
Development repayment obligations	(3,000,000)
Accrued interest	<u>(2,955,950)</u>
Total Net Position of Governmental Activities	<u>\$ (19,685,250)</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

GREEN TREE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
General Property taxes	\$ 532	\$ -	\$ -	\$ 532
Ownership tax	41	-	-	41
Total revenues	<u>573</u>	<u>-</u>	<u>-</u>	<u>573</u>
Expenditures:				
Accounting and auditing	11,418	-	-	11,418
Consulting	2,436	-	-	2,436
Insurance	2,527	-	-	2,527
Legal	20,764	-	-	20,764
Membership Dues	534	-	-	534
Repairs and maintenance	9,752	-	-	9,752
Service charges	-	-	-	-
Treasurers Fee	8	-	-	8
Utilities	1,782	-	-	1,782
Total expenditures	<u>49,221</u>	<u>-</u>	<u>-</u>	<u>49,221</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,648)	-	-	(48,648)
Other Financing Sources (Uses):				
Operating Advances	45,000	-	-	45,000
Debt proceeds	-	-	-	-
Payments to refund repayment obligations	-	-	-	-
Total other financing sources (uses)	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Net Change in Fund Balance	(3,648)	-	-	(3,648)
Fund Balance, Beginning of Year	50,286	-	-	50,286
Fund Balance, End of Year	<u>\$ 46,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,638</u>
Net Change in Fund Balance - Governmental Funds				\$ (3,648)

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expenses the allocation of the cost of any depreciable assets over the estimated useful life of the assets.

Depreciation (379,046)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Operating advances (45,000)
Accrued interest (210,000)

Change in Net Position of Governmental Activities \$ (637,694)

The accompanying notes and independent auditors' report are an integral part of the financial statements.

GREEN TREE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
BUDGETARY BASIS

	BUDGETED AMOUNTS			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
Revenues				
Property Taxes	\$ 17	\$ 17	\$ 532	\$ 515
Ownership Taxes	-	-	41	41
Total revenues	<u>17</u>	<u>17</u>	<u>573</u>	<u>556</u>
Expenditures				
Legal	25,000	25,000	20,764	4,236
Accounting and auditing	5,000	5,000	11,418	(6,418)
Utilities	1,200	1,200	1,782	(582)
Insurance	2,600	2,600	2,527	73
Consulting	6,500	6,500	2,436	4,064
Service Changes	2,550	2,550	-	2,550
Landscape Expenses	15,000	15,000	-	15,000
Repairs and maintenance	-	-	9,752	(9,752)
Treasurer's Fees	-	-	8	(8)
Membership Dues	600	600	534	66
Capital expenditures		-	-	-
Total expenditures	<u>58,450</u>	<u>58,450</u>	<u>49,221</u>	<u>9,229</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(58,433)</u>	<u>(58,433)</u>	<u>(48,648)</u>	<u>9,785</u>
Other Financing Sources (Uses):				
Transfers in - Green Tree Metro District #2	559	559	-	(559)
Operating Advances	50,000	50,000	45,000	(5,000)
Net Other Financing Sources (Uses)	<u>50,559</u>	<u>50,559</u>	<u>45,000</u>	<u>(5,559)</u>
Excess (Deficiency) of Revenues Over				
Expenditures and Other Financing Sources (Uses)	<u>(7,874)</u>	<u>(7,874)</u>	<u>(3,648)</u>	<u>4,226</u>
Fund Balance, Beginning of Year	<u>18,497</u>	<u>18,497</u>	<u>50,286</u>	<u>31,789</u>
Fund Balance, End of Year	<u>\$ 10,623</u>	<u>\$ 10,623</u>	<u>\$ 46,638</u>	<u>\$ 36,015</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. Reporting Entity

Green Tree Metropolitan District No. 1 ("District No. 1"), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Special District Act, was formed in 2007 for the purpose of providing public improvements necessary for the development of properties within and around the District's service area located in Jefferson County, Colorado.

District No. 1 was formed in conjunction with Green Tree Metropolitan District No. 2 ("District No. 2") to design, finance, and construct public improvements including an interchange at C-470 and Alameda Ave. District No. 1 is the coordinating District and District No. 2 is the financing District.

Green Tree Metropolitan District No. 1 ("the District") operates under a governing Board of Directors and is considered a separate political subdivision of the State of Colorado providing interchanges, streets, traffic, and safety controls.

The District's basic financial statements include the accounts and funds of all District operations. Furthermore, the financial statements of District No. 1 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District follows the Governmental Accounting Standards Board (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.

District No. 1 is not financially accountable for any other organization nor is District No. 1 a component unit of any other primary governmental entity.

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

2. Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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 as general revenues.

Separate financial statements are provided for governmental funds. 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 resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that operating advances and developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund type. Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund type total and five percent of the grand total. The general fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The following major governmental funds were reported by the District:

General Fund - To account for and report all financial resources not accounted for in another fund.

Debt Service Fund - To account for and report financial resources that are restricted, committed or assigned to expenditures for debt service.

Capital Projects Fund - To account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay.

The highest level of decision-making authority is the Board of Directors. A quorum of the Board of Directors and a majority vote is required to establish, modify, or rescind a commitment of fund balance. Only a majority vote by the Board of Directors may *assign* amounts to specific purposes, and the policy pursuant to that authorization. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Additionally, when an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers *committed* amounts to be reduced first, then *assigned*, and then *unassigned*. There were no committed amounts at December 31, 2021.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Budgets and Budgetary Accounting

In accordance with Colorado budget law, the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to October 15th, the budget is submitted to the Board of Directors of the District.
2. A public hearing on the budget is held prior to its adoption.
3. On the date of the hearing, the Board reviews the proposed budget and formally adopts it by resolution.
4. At the time of adopting the budget, the Board also adopts the mill levies.
5. Prior to the beginning of the calendar year, the Board passes an appropriating ordinance giving the District legal authority to spend.
6. The District adopts budgets for the general fund, debt service fund and capital projects fund. The District's Board of Directors can modify the budget and appropriations resolutions upon completion of the notification and publication requirements defined by statute. The appropriation is at the total fund expenditures level and lapses at year end.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors.

Capital Assets

Capital assets for governmental funds include a highway interchange and utilities which are reported in the applicable governmental activities column of the statement of net position. Capital assets are valued at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Rights of Way	50 years
Utilities	20 years

Net Position

For government-wide presentation purposed, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Property Taxes

The District levies property taxes based on assessed valuations determined by the Jefferson County Assessor as of January 1st each year. Property taxes are calculated by multiplying the assessed valuation of the properties within the District by the certified mill levy.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

The levy is normally set by December 15th and attaches as an enforceable lien as of January 1st of the following year. The Jefferson County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The Jefferson County Treasurer remits the taxes collected to the District monthly.

The District's property taxes are initially recognized as a receivable and deferred inflow of resources in the year which they are attached as an enforceable lien and are levied. Property taxes revenues are recorded as revenue in the year they are available or collected.

Interfund Balances

The District reports interfund balances that are representative of lending and borrowing arrangements between funds in the fund financial statements as due to/from other funds. The purpose of the advance was to fund sewer infrastructure review fees that will be reimbursed when development occurs. The advances are not expected to be repaid within one year. The interfund balances have been eliminated in the government-wide statements.

As of December 31, 2021, interfund balances consisted of the following:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General fund	\$ 30,000	\$ -
Capital projects fund	-	30,000
Total	\$ 30,000	\$ 30,000

Fund Balances-Governmental Funds

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound by constraints on the specific use for which spending can occur. Governmental funds report up to five classifications of fund balance based on the relative strength of the spending constraints as described below:

Nonspendable – amounts that are not in nonspendable form or are required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or enabling legislation.

Committed – amounts constrained to specific purposes by the District, using its highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the highest level of decision-making authority takes action to remove or change the constraints.

Assigned – amounts the District intends to use for a specific purpose.

Unassigned – amounts that are available for any purpose.

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

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District currently does not have any deferred outflows of resources reported in the accompanying financial statements.

In addition to liabilities, the statement of net position reports a section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred property tax revenue as an inflow of resources in the period the amounts become available.

3. Cash and Deposits

At December 31, 2021, the District's cash and cash equivalents consisted of balances held in checking accounts at local financial institutions. The carrying balances and bank balances of the District's cash deposits as of December 31, 2021 is summarized below:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured bank deposits	\$ 20,634	\$ 20,934
Total cash deposits	<u>\$ 20,634</u>	<u>\$ 20,934</u>

Deposits/Custodial Risk

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Amounts on deposit in excess of federal insurance coverage must be collateralized. PDPA allows eligible depositories to create a single collateral pool for all public funds. The market value of eligible collateral (determined under PDPA) must exceed the aggregate uninsured deposits held by a financial institution on behalf of all local government deposits.

Investments/Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM funds Governmental Select series) and money market funds (generally held by Bank Trust Departments in their role as Paying Agent or Trustee), and CSAFE, which record their investments at amortized costs. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

District policy is to hold investments until maturity. At December 31, 2021, the District did not have any investments.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. Capital Assets

The following provides a summary of the changes in capital assets for the year ended December 31, 2021.

Governmental Activities:

Capital Assets, Being Depreciated	December 31, 2020	Additions	Deletions	December 31, 2021
Infrastructure	\$ 18,580,812	\$ -	\$ -	\$ 18,580,812
Utilities	148,585			148,585
Total Capital Assets, Being Depreciated	18,729,397	-	-	18,729,397
Less Accumulated Depreciation for:				
Infrastructure	(4,628,319)	(371,616)	-	(4,999,935)
Utilities	(92,866)	(7,430)	-	(100,296)
Total Accumulated Depreciation	(4,721,185)	(379,046)	-	(5,100,231)
Total capital assets, net	\$ 14,008,212	\$ (379,046)	\$ -	\$ 13,629,166

Depreciation expense in the Enterprise Fund was \$379,046 for the year ending December 31, 2021.

5. Long-Term Obligations

Developer Funding and Reimbursement Agreements

In 2007, the District and Green Tree Metropolitan District No. 2 entered into a funding and reimbursement agreement with Carma Lakewood, LLC (N/K/A Solterra, LLC) ("the Developer"), for the purpose of funding a public roadway interchange ("the Interchange") near Alameda Avenue and C-470. Under the funding agreement, the District agreed to reimburse the developer for certified construction costs and any funding advances relating to the interchange construction, up to \$10,525,000. The reimbursable costs and advanced funds were to be repaid with bond proceeds, plus simple interest at a rate equal to the greater of 7% or .25% less prime rate.

Intergovernmental Funding Agreements

In 2007, the District entered into intergovernmental funding agreements with the County of Jefferson, Colorado ("the County") and City of Lakewood, Colorado ("the City") for the purposing of funding the Interchange.

The County advanced \$6,000,000 to the District for partial funding of the Interchange. The County advance was to be repaid with bond proceeds, plus simple interest at a rate of 7%. The principal advances were originally to be repaid in two installments of \$2,024,898 and \$3,975,102 on December 31, 2011 and 2013, plus any accrued interest.

The City advanced \$3,000,000 to the District for partial funding of the Interchange. The City advance was to be repaid with bond proceeds, plus simple interest at a rate of 7%. If the District has issued all debt legally permitted under its service plan, and all net proceeds of any issued debt has been exhausted, the City shall deem the advances a contribution of the District and the repayment obligation would be discharged.

The developer funding agreement and intergovernmental agreements were subject of litigation in a Jefferson County District Court case. The case was brought against the District by the Developer, claiming the District breached the original funding agreements by not issuing reimbursement obligations and failing to take actions to enable repayment of the Interchange funding.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. Long-Term Obligations (continued)

2020 Limited Obligation Notes

In October 2020, a settlement agreement was reached with Solterra, LLC and Jefferson County, releasing all claims without prejudice. Pursuant to the settlement agreement, the District issued the 2020 Limited Tax General Obligation Notes ("2020 Notes") in the principal sum of \$26,826,267. The 2020 Notes were issued as formal repayment obligations to repay the Interchange funding provided by the Developer and the County. The City declined to be a party of the settlement agreement and dismissed all claims against the District. The Interchange funding provided by the City was not included in the principal sums issued with the 2020 Notes.

As an additional requirement of the settlement agreement, the District entered into a pledge agreement with Green Tree Metropolitan District No. 2, pursuant to which District No. 2 pledges certain revenues to the District for repayment of the 2020 Notes. The District, and specifically District No. 2, will levy and collect 15-mill debt service levies beginning on January 1, 2025, or in the tax year in which the first building permit is issued for real property improvements within the boundaries of the District or District No. 2, whichever occurs first. Interest on the 2020 Notes accrues at the rate of 0% for the first three years of the term; it is then adjusted annually to the MMD Rate plus 2% or the interest rate of other debt subsequently issued by the Districts, whichever is higher. The term on the 2020 Notes is for forty-five years, after which any remaining principal and interest is discharged and forgiven entirely. Due to the nature of the repayment agreements, a future maturity schedule cannot be determined.

Operating Advances

The District entered into an advance and reimbursement agreement with One Horse Business Improvement District ("One Horse"), a related District (See Note 7). One Horse has advanced funds to the District to assist with operations. Funds advanced are to be repaid as cash flow becomes available. The advances are not expected to be repaid within the next calendar year. As of December 31, 2021, \$443,000 was due under the advance and reimbursement agreement.

The District also received operating advances from two related entities (See Note 7). The advances from these entities have no formal repayment terms and are to be repaid when the District has available cash flow.

The following is a summary of long-term obligations for the year ended December 31, 2021:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
2020 Limited Obligation Notes	\$ 26,826,267	\$ -	\$ -	\$ 26,826,267
IGA Funding Obligation - City	3,000,000	-	-	3,000,000
Accrued Interest IGA - City	2,745,950	210,000	-	2,955,950
Operating Advances	533,837	45,000	-	578,837
Total Long-Term Obligations	<u>\$ 33,106,054</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 33,361,054</u>

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including the raising of revenue, spending abilities, and other specific requirements of state and local governments. The District's financial activity provides the basis for calculations of limitations adjusted for allowable increases tied to inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates nonexempt revenue or receipts. Spending excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. The District levied 40.000 mills on real property assessments to be collected in 2021 as approved by the voters of the District. The District's mill levy raised \$532 of general property taxes in 2021.

Except for bond refinancing at lower interest rates, the Amendment specifically prohibits the creation of multiple fiscal year debt or other financial obligations without voter approval or irrevocably pledging present cash reserves for all future payments.

The Amendment requires that Emergency Reserves be established. These reserves must be at least 2 percent of Fiscal Year Spending in 1994 and 3 percent thereafter. Emergency Reserves as of December 31, 2021 totaling \$1,477 have been presented as restricted fund balance in the General Fund. The District is not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary, or benefit increases.

7. Related Parties

The District conducts joint Board meetings with District No. 2. The respective Boards are composed of the same two Directors.

As discussed in Note 5, the District was advanced operating funds by One Horse Business Improvement District. Two directors of the District serve as directors of One Horse. The District also has operating advances payable to two other entities that the Directors of the District are directors of. The operating advances have no set repayment terms and are to be repaid when the District has available cash flow and are subject to annual appropriation.

Intergovernmental Agreement

The District entered into a Master Intergovernmental Agreement ("Master IGA") with District No. 2. The Master IGA sets forth the means for approving, financing, constructing, and coordinating the public services and improvements needed to serve the Districts, and to implement the Consolidated Service Plan ("Service Plan") of the Districts. The Master IGA provides that the financing district (District No. 2) will pay to or reimburse the coordinating district (District No. 1) for the costs associated with the construction, acquisition, installation and financing of certain public improvements and services, and the operation and maintenance of the public improvements. The financing district will covenant to use all available funds, to meet the payment obligations set forth in the Master IGA. In return for the payment under the Master IGA, the coordinating District will agree to (1) acquire, construct, and equip the Public Improvements, (2) provide for their operation and maintenance, and (3) provide service to the property within the Districts or convey public improvements to other appropriate entities which will provide service. The IGA sets forth the rights and obligations of the financing district to fund, and of the service district to construct, own or transfer, and to operate and maintain, public facilities and services of benefit to both Districts; and to implement the Consolidated Service Plan ("Service Plan") of the Districts. The Service Plan describes the relationship between the Districts. In this connection, the District contracts for and supervises the construction and acquisition of facilities under annual appropriations as described in the Service Plan.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

8. Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate.

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. Settled claims have not exceeded commercial coverage limits in any of the past three fiscal years.

9. Net Position

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Capital Assets, Net	\$ 13,629,166
Outstanding Notes Payable	(26,826,267)
Outstanding IGA Funding Obligation	(3,000,000)
Accrued Interest	(2,955,950)
Outstanding Operating Advances	(578,837)
Net Investment in Capital Assets	\$ (19,731,888)

As of December 31, 2021, the District had restricted net position totaling \$1,477 and unrestricted net position totaling \$45,161. Restricted net positions are subject to external restrictions imposed by TABOR (See Note 6).

10. Economic Dependency

The District has not yet established a revenue base sufficient to pay operational and capital expenditures and meet debt service requirements. Until development within the District occurs and a sufficient tax revenue base is established, continuation of operations will be dependent upon operating advances from related entities.

GREEN TREE METROPOLITAN DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

11. Subsequent Events

The District has evaluated subsequent events through September 27, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GREEN TREE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
BUDGETARY BASIS

	BUDGETED AMOUNTS			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Ownership Taxes	-	-	-	-
Developer Fees	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Principle Reductions - Jefferson County	-	-	-	-
Principle Reductions - City of Lakewood	-	-	-	-
Principle Reductions - Developers	-	-	-	-
Interest	-	-	-	-
Treasurer's Fees	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Issuance of limited obligation notes	-	-	-	-
Retirement of development funding obligations	-	-	-	-
Transfers in - Other Funds	-	-	-	-
Transfers (out) - Other Funds	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over				
Expenditures and Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

GREEN TREE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
BUDGETARY BASIS

	BUDGETED AMOUNTS			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
Revenues				
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Sanitary:				
Sanitation, Engineering	50,000	50,000	-	50,000
Sanitation, Legal	50,000	50,000	-	50,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Other Financing Sources (Uses):				
Developer Advances	100,000	100,000	-	(100,000)
Net Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Excess (Deficiency) of Revenues Over				
Expenditures and Other Financing Sources (Uses)	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.