

Orchard Valley Metropolitan District

Arapahoe County, Colorado

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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COLORADO CPA COMPANY

Independent Auditor's Report

Board of Directors
Orchard Valley Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Orchard Valley Metropolitan District (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Orchard Valley Metropolitan District as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
May 20, 2024

Orchard Valley Metropolitan District
Balance Sheet/Statement of Net Position
Governmental Funds
December 31, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash and investments	\$ 1,082,345	\$ -	\$ 1,082,345	\$ -	\$ 1,082,345
Cash and investments - restricted	-	1,309,595	1,309,595	-	1,309,595
Receivable from County Treasurer	336	1,196	1,532	-	1,532
Property taxes receivable - 2024	214,319	548,114	762,433	-	762,433
Capital assets not being depreciated	-	-	-	6,892,818	6,892,818
Total assets	<u>\$ 1,297,000</u>	<u>\$ 1,858,905</u>	<u>\$ 3,155,905</u>	6,892,818	10,048,723
Liabilities					
Accounts payable	\$ 2,771	\$ -	\$ 2,771	-	2,771
Long-term liabilities:					
Accrued interest on bonds	-	-	-	22,526	22,526
Due within one year	-	-	-	280,000	280,000
Due within more than one year	-	-	-	4,370,000	4,370,000
Total liabilities	2,771	-	2,771	4,672,526	4,675,297
Deferred inflows of resources					
Deferred property taxes	214,319	548,114	762,433	-	762,433
Total deferred inflows of resources	214,319	548,114	762,433	-	762,433
Fund balance/net position					
Fund balances:					
Restricted:					
Debt service	-	1,310,791	1,310,791	(1,310,791)	-
Unassigned	1,079,910	-	1,079,910	(1,079,910)	-
Total fund balances	<u>1,079,910</u>	<u>1,310,791</u>	<u>2,390,701</u>	<u>(2,390,701)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,297,000</u>	<u>\$ 1,858,905</u>	<u>\$ 3,155,905</u>		
Net position:					
Net investment in capital assets				2,242,818	2,242,818
Restricted for:					
Debt Service				1,288,265	1,288,265
Unrestricted				1,079,910	1,079,910
Total net position				<u>\$ 4,610,993</u>	<u>\$ 4,610,993</u>

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

Orchard Valley Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
Governmental Funds
For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Expenditures/expenses					
Accounting and audit	\$ 6,250	\$ -	\$ 6,250	\$ -	\$ 6,250
Bank Fees	578	-	578	-	578
Directors fees	400	-	400	-	400
Dues	922	-	922	-	922
Legal	7,572	-	7,572	-	7,572
Insurance	1,946	-	1,946	-	1,946
Management fees	35,000	-	35,000	-	35,000
Maintenance:					
Landscaping	45,881	-	45,881	-	45,881
Lighting	-	-	-	-	-
Snow removal	8,104	-	8,104	-	8,104
Street	-	-	-	-	-
Miscellaneous	1,425	-	1,425	-	1,425
Treasurer's fees	3,155	11,196	14,351	-	14,351
Utilities	14,251	-	14,251	-	14,251
Debt service:					
Debt principal	-	270,000	270,000	(270,000)	-
Bond interest	-	284,488	284,488	(1,181)	283,307
Paying agent fees	-	-	-	-	-
Total expenditures/expenses	<u>125,484</u>	<u>565,684</u>	<u>691,168</u>	<u>(271,181)</u>	<u>419,987</u>
General revenues					
Property taxes	210,902	746,390	957,292	-	957,292
Specific ownership taxes	13,796	49,129	62,925	-	62,925
Interest income and miscellaneous	<u>126,551</u>	<u>10</u>	<u>126,561</u>	<u>-</u>	<u>126,561</u>
Total general revenues	351,249	795,529	1,146,778	-	1,146,778
Excess/(deficiency) of revenues over expenditures					
	225,765	229,845	455,610	271,181	726,791
Other financing source/(uses)					
Transfer (to)/from other funds	<u>49,129</u>	<u>(49,129)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources/(uses)	49,129	(49,129)	-	-	-
Net changes in fund balances					
	274,894	180,716	455,610	(455,610)	
Change in net position					
				726,791	726,791
Fund balances / net position					
Beginning of year	<u>805,016</u>	<u>1,130,075</u>	<u>1,935,091</u>	<u>1,949,111</u>	<u>3,884,202</u>
End of year	<u>\$ 1,079,910</u>	<u>\$ 1,310,791</u>	<u>\$ 2,390,701</u>	<u>\$ 2,220,292</u>	<u>\$ 4,610,993</u>

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

Orchard Valley Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures			
Accounting and audit	\$ 6,000	\$ 6,250	\$ (250)
Bank fees	-	578	(578)
Directors fees	500	400	100
Dues	-	922	(922)
Legal	12,000	7,572	4,428
Insurance	4,620	1,946	2,674
Management fees	35,000	35,000	-
Maintenance:			
Landscaping	62,000	45,881	16,119
Lighting	4,500	-	4,500
Snow removal	10,000	8,104	1,896
Street	20,000	-	20,000
Other	11,200	-	11,200
Miscellaneous	-	1,425	(1,425)
Treasurer's fees	3,158	3,155	3
Utilities	18,000	14,251	3,749
Contingency and emergency reserve	21,155	-	21,155
Total expenditures	<u>208,133</u>	<u>125,484</u>	<u>82,649</u>
General revenues			
Property taxes	210,551	210,902	351
Specific ownership taxes	2,795	13,796	11,001
Interest income	6,700	126,551	119,851
Total general revenues	<u>220,046</u>	<u>351,249</u>	<u>131,203</u>
Excess/(deficiency) of revenues over expenditures	11,913	225,765	213,852
Other financing source/(uses)			
Transfer (to)/from other funds	41,336	49,129	7,793
Net other financing sources/(uses)	<u>41,336</u>	<u>49,129</u>	<u>7,793</u>
Net changes in fund balance	53,249	274,894	221,645
Fund balances			
Beginning of year	705,159	805,016	99,857
End of year	<u>\$ 758,408</u>	<u>\$ 1,079,910</u>	<u>\$ 321,502</u>

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

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 – Definition of Reporting Entity

Definition of Reporting Entity

Orchard Valley Metropolitan District (the “District”), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 1983, and is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in Arapahoe County, Colorado. The District was established to provide for the acquisition, construction, installation and completion of parks and recreation facilities, arterial and collector roadways, traffic signals and safety devices and all other necessary improvements to the projects, including the necessary maintenance. In August 2012, the District amended its service plan to expand the District’s powers to provide public infrastructure improvements and public services within and without the District as follows: water, storm sewer, sanitation and wastewater treatment, street and roadway improvement, traffic and safety control, parks and recreation, transportation, television relay and translator facilities, mosquito and pest control, and solid waste disposal. The District is governed by an elected Board of Directors.

As required by accounting principles generally accepted in the United States of America (“GAAP”), these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Boards (“GASB”) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The 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, nor is the District a component unit of any other primary governmental entity.

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

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the District conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the District are described as follows:

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – 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. Governmental activities are normally supported by property taxes.

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.

For the most part, the effect of interfund activity has been removed from these statements.

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

Estimates

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be *available* if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

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

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

Budgets

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

During the year, the District amended its total appropriations in the debt service fund from \$566,034 to \$610,000.

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2023, 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.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Deposits and Investments

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

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

Deferred Inflows of Resources

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

Capital Assets

Capital assets, which include property and infrastructure assets (e.g. streets, water system, sewer system and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets (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 that will be conveyed to other governmental entities are classified as construction in progress, are not included in the calculation of net investment in capital assets and are not depreciated. Land and certain landscaping improvements are not depreciated.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital 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. No depreciation is being computed on the District's capital assets as the capital assets will be transferred to other governmental entities. Once transferred, the District will no longer be responsible for the maintenance or repair of the capital assets (see Note 10).

Long-Term Obligations

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

Fund Equity

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all these components. The following classifications describe the relative strength of the spending constraints:

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

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Equity (continued)

Assigned fund balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above-described criteria.

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

Net Position

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

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

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

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

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

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners who assess the property tax obligation of the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April, or at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Note 3 – Cash and Investments

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments - unrestricted	\$ 1,082,345
Cash and investments - restricted	<u>1,309,595</u>
Total	<u><u>\$ 2,391,940</u></u>

Cash and investments as of December 31, 2023, consist of the following:

Deposits with financial institutions	\$ 8,342
Investment - COLOTRUST	<u>2,383,598</u>
Total	<u><u>\$ 2,391,940</u></u>

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 3 – Cash and Investments (continued)

Cash Deposits

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District’s cash deposits had a bank balance equal to its carrying balance of \$8,342.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2023, none of the District’s bank balance was exposed to custodial credit risk.

Investments

Investment Policies

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 3 – Cash and Investments (continued)

Investments (continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service or sinking fund requirements. Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

Concentration Risk and Custodial Risk – Investments

The District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment in COLOTRUST is not required to be categorized within the fair value hierarchy and are calculated using the net asset value (“NAV”) method.

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST Plus+	Weighted Average	
	Under 60 Days	\$ 2,383,598
Total investments		<u>\$ 2,383,598</u>

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 3 – Cash and Investments (continued)

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“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 COLOTRUST. COLOTRUST offers shares in three portfolios: COLOTRUST Prime, COLOTRUST PLUS+, and COLOTRUST Edge.

COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments. As of December 31, 2023, the District had funds invested in COLOTRUST Plus+.

COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. It is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. Purchases and redemptions are available daily at a net asset value of \$1.00. There are no unfunded commitments and there is no redemption notice period.

Restricted Cash and Investments

As of December 31, 2023, a portion of cash and investments was restricted for debt service.

Note 4 – Capital Assets

The following is an analysis of changes in capital assets for the year ended December 31, 2023:

<u>Governmental-type activities</u>	<u>Balance 1/1/2023</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance 12/31/2023</u>
Capital assets not being depreciated:				
Landscaping improvements	\$ 6,892,818	\$ -	\$ -	\$ 6,892,818
Total capital assets not being depreciated	<u>\$ 6,892,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,892,818</u>

No depreciation expense was charged to the general government function during the year ended December 31, 2023.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 5 – Long-Term Obligations

The following is an analysis of changes in long-term obligations for the year ended December 31, 2023:

Governmental activities:	Balances 1/1/2023	Additions	Reductions	Balances 12/31/2023	Current Portion
Taxable General Obligation Bonds - Series 2015	\$ 4,920,000	\$ -	\$ (270,000)	\$ 4,650,000	\$ 280,000
Total long-term obligations	<u>\$ 4,920,000</u>	<u>\$ -</u>	<u>\$ (270,000)</u>	<u>\$ 4,650,000</u>	<u>\$ 280,000</u>

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

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

\$6,450,000 Taxable General Obligation Bonds, Series 2015, dated September 3, 2015, with interest of 5.25% consisting of term bonds issued in the amount of \$2,375,000 due on December 1, 2025, and 5.75% term bonds issued in the amount of \$ 1,750,000 due December 1, 2030, and \$2,325,000 due December 1, 2035. Bonds maturing on December 1, 2025, are subject to mandatory redemption by lot on December 1, 2020, through 2025. Bonds maturing on December 1, 2030, are subject to mandatory redemption by lot on December 1, 2026, through 2030. Bonds maturing on December 1, 2035, are subject to mandatory redemption by lot on December 1, 2031 through 2035. Bonds maturing on or before December 1, 2025, are not subject to prior redemption. Bonds maturing on or after December 1, 2030, are callable on December 1, 2025 at par and without premium. The most significant event of default is non-payment on required principal and interest.

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

Year Ending December 31,	Principal	Interest	Total
2024	\$ 280,000	\$ 270,313	\$ 550,313
2025	295,000	255,612	550,612
2026	310,000	240,125	550,125
2027	330,000	222,300	552,300
2028	350,000	203,325	553,325
2029-2033	2,075,000	687,725	2,762,725
2034-2035	1,010,000	91,800	1,101,800
Total	<u>\$ 4,650,000</u>	<u>\$ 1,971,200</u>	<u>\$ 6,621,200</u>

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 6 – Debt Authorization and Service Plan Amendment

On August 12, 2012, the District amended its service plan and authorized the issuance of general obligation debt in an amount not to exceed \$15,000,000 with a maturity of no greater than 40 years at an interest rate not to exceed 8.5%. Such bonds are to be repaid from general ad valorem taxes to be imposed upon taxable property within the District provided that if at the time of issuance the principal amount of all bonds exceeds fifty percent of the assessed valuation of the District as certified by the County assessor, such debt service mill levy will not exceed 50 mills as adjusted for changes in the method of assessed valuation. The district has \$8,550,000 of unused authorization.

Note 7 – Fund Balances and Net Position

Fund Balances

The District’s total fund balance consists of the following components:

Fund balance - restricted for:	
Debt service	\$ 1,310,791
Fund balance - unassigned	<u>1,079,910</u>
Total fund balance	<u><u>\$ 2,390,701</u></u>

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 Debt Service Fund is restricted for the payment of the debt service costs associated with the District’s long-term obligations (see Note 5).

The unassigned fund balance represents the residual portion of fund balance that does not meet any of the above-described criteria and is available for general use by the District.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 7 – Fund Balances and Net Position (continued)

Net Position

The District’s net position consists of the following components:

Net investment in capital assets:	
Capital assets, net	\$ 6,892,818
Long-term obligations	<u>(4,650,000)</u>
Net investment in capital assets	2,242,818
Net position - restricted for:	
Debt service	<u>1,288,265</u>
Total restricted net position	1,288,265
Net position/(deficit) - unrestricted	<u>1,079,910</u>
Total net position/(deficit)	<u><u>\$ 4,610,993</u></u>

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.

The restricted components of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

The unrestricted net position includes all other net position that does not meet the definition of the above two components and is available for general use by the District.

Note 8 – Related Party Information

The members of the Board of Directors of the District are employees, owners or associated with the developer of the District, K&C Management, LLC (the “Developer”), or owners of property within the District and may have conflicts of interest in dealing with the District. On June 1, 2015, the District and the Developer entered into a management agreement whereby the District compensates the Developer for general operating and construction management services. Management fees are paid quarterly at a minimum of \$25,000 per year, subject to annual renegotiation; and project management fees are 10% of new facility costs and expenditures. The agreement will terminate at the earlier of notice by either party, or if the District fails to appropriate sufficient funds to cover management and construction management fees. Management fees of \$35,000 were paid to the Developer during 2023.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 9 – District Cost Sharing Participation Agreement

Southeast Public Improvement Metropolitan District (“SPIMD”)

On May 4, 2004, voters approved the creation of SPIMD to succeed the Joint Southeast Public Improvement Association (“JSPIA”), which funded and coordinated the provision of functions, service and facilities of common benefit to the participating contiguous metropolitan districts, primarily regional street improvement projects. The primary purpose of SPIMD is to finance, through the issuance of bonds, transportation related services and activities on a shared partnership basis with other governments located in the southeast Denver metropolitan area.

On May 4, 2004, a majority of the qualified electors of SPIMD authorized the issuance of indebtedness in an amount not to exceed \$75,000,000 at an interest rate to be determined by SPIMD’s Board of Directors. On November 3, 2020, a majority of the qualified electors of the District authorized an additional total indebtedness of \$110,000,000. As December 31, 2022 (the date of the most recently available financial statements), SPIMD had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

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

Per the SPIMD Service Plan, the maximum total mill levy for the SPIMD is 2.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District. The 2.000 mills shall only be levied against commercial property located within the SPIMD boundaries.

In the future, SPIMD may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within SPIMD’s service area.

Note 10 – Intergovernmental Agreement with the City of Greenwood Village

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

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 11 – Risk Management

The District is exposed to various risks of loss related to thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (the “Pool”) as of December 31, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 12 – Tax, Spending and Debt Limitations

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

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. Any operating expense shortfall is funded by the Developer and therefore no 3% emergency reserve is provided.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, 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.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

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

On May 4, 2004, a majority of the voters of the District’s electors authorized the District to collect, retain and spend any and all amounts received by the District annually from any revenue source including but not limited to ad valorem taxes, tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income or charge imposed, collected or authorized by law to be imposed or collected by the District, such revenues to be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained with Article X, Section 20 of the Colorado Constitution or any other law the purports to limit the District’s revenue or expenditures and without limiting in any year the amount of other revenues that may be collected and spent by the District.

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.

Note 13 – Internal Transfers

During 2023, the District transferred \$49,129 from the Debt Service Fund to the General Fund for supporting general operating costs.

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

Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet and the government-wide Statement of Net Position includes a reconciling column. Explanation of the adjustments included in the reconciling column is as follows:

Capital assets	\$ 6,892,818
Accrued interest on bonds	(22,526)
Bonds payable	<u>(4,650,000)</u>
Total	<u>\$ 2,220,292</u>

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

Orchard Valley Metropolitan District
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 14 – Reconciliation of Government-Wide and Fund Financial Statements (continued)

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

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

Interest	\$ (1,181)
Bond principal	<u>(270,000)</u>
Total	<u><u>\$ (271,181)</u></u>

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

Supplemental Information

Orchard Valley Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures				
Bond interest paid	\$ 284,487	\$ 328,453	\$ 284,488	\$ 43,965
Bond principal paid	270,000	270,000	270,000	-
Paying agent fees	300	300	-	300
Treasurer's fees	11,247	11,247	11,196	51
Total expenditures	<u>566,034</u>	<u>610,000</u>	<u>565,684</u>	<u>44,316</u>
General revenues				
Property taxes	749,778	749,778	746,390	(3,388)
Specific ownership taxes	41,336	41,336	49,129	7,793
Interest income and miscellaneous	332	332	10	(322)
Total revenues	<u>791,446</u>	<u>791,446</u>	<u>795,529</u>	<u>4,083</u>
Excess/(deficiency) of revenues over expenditures	225,412	181,446	229,845	48,399
Other financing source/(uses)				
Transfer (to)/from other funds	(41,336)	(41,336)	(49,129)	(7,793)
Net other financing sources/(uses)	<u>(41,336)</u>	<u>(41,336)</u>	<u>(49,129)</u>	<u>(7,793)</u>
Net changes in fund balances	184,076	140,110	180,716	40,606
Fund balances				
Beginning of year	1,142,551	1,142,551	1,130,075	(12,476)
End of year	<u>\$ 1,326,627</u>	<u>\$ 1,282,661</u>	<u>\$ 1,310,791</u>	<u>\$ 28,130</u>

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

Orchard Valley Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Expenditures			
Capital assets acquired	\$ -	\$ -	\$ -
Total expenditures	-	-	-
 General revenues			
Property taxes	-	-	-
Specific ownership taxes	-	-	-
Interest income	-	-	-
Total revenues	-	-	-
 Excess/(deficiency) of revenues over expenditures and net changes in fund balance	 -	 -	 -
 Fund balances			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Orchard Valley Metropolitan District
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected
December 31, 2023

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for General Fund	Mills Levied for Debt Service Fund	Total Property Taxes:		Percent Collected to Levied
				Levied	Collected	
2001	\$ 30,653,170	1.265	0.948	\$ 67,835	\$ 49,726	73.30%
2002	\$ 33,705,860	1.235	0.948	\$ 73,580	\$ 70,904	96.36%
2003	\$ 32,852,730	1.920	0.996	\$ 88,308	\$ 85,178	96.46%
2004	\$ 24,705,720	1.414	0.000	\$ 34,934	\$ 35,620	101.96%
2005	\$ 23,224,080	4.027	0.000	\$ 93,523	\$ 87,287	93.33%
2006	\$ 17,288,530	4.000	0.000	\$ 69,154	\$ 69,487	100.48%
2007	\$ 17,371,680	4.000	0.000	\$ 69,487	\$ 69,014	99.32%
2008	\$ 20,168,220	4.000	0.000	\$ 80,673	\$ 80,655	99.98%
2009	\$ 19,825,490	4.000	0.000	\$ 79,302	\$ 79,591	100.36%
2010	\$ 25,885,630	4.000	0.000	\$ 103,543	\$ 102,205	98.71%
2011	\$ 25,051,990	4.000	0.000	\$ 100,208	\$ 75,431	75.27%
2012	\$ 21,401,730	4.000	0.000	\$ 85,607	\$ 82,557	96.44%
2013	\$ 20,505,880	4.000	0.000	\$ 82,024	\$ 78,033	95.13%
2014	\$ 24,740,650	4.000	0.000	\$ 98,963	\$ 96,950	97.97%
2015	\$ 22,091,316	4.866	0.000	\$ 107,496	\$ 107,506	100.01%
2016	\$ 22,241,819	5.130	23.500	\$ 634,783	\$ 588,017	92.63%
2017	\$ 20,700,532	5.412	23.500	\$ 598,494	\$ 524,461	87.63%
2018	\$ 31,950,017	7.758*	20.000	\$ 886,781	\$ 886,781	100.00%
2019	\$ 44,528,061	4.686	15.000	\$ 876,579	\$ 876,127	99.95%
2020	\$ 71,376,657	3.089	14.000	\$ 1,219,755	\$ 1,213,088	99.45%
2021	\$ 69,291,189	3.089	11.000	\$ 976,244	\$ 976,158	99.99%
2023	\$ 69,109,453	3.089	11.000	\$ 973,683	\$ 974,289	100.06%
2023	\$ 68,161,595	3.089	11.000	\$ 960,329	\$ 957,292	99.68%
Estimated for calendar year ending December 31, 2024:						
	\$ 69,381,514	3.089	7.900	\$ 762,433		

Note: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

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

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