

CHERRYLANE METROPOLITAN DISTRICT
ADAMS COUNTY, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2022



Crady, Puca & Associates

Certified Public Accountants & Consultants

**CHERRYLANE METROPOLITAN DISTRICT
ADAMS COUNTY, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Cherrylane Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cherrylane Metropolitan District as of and for the year ended December 31, 2022, and related notes to the financial statements, which collectively comprise Cherrylane Metropolitan 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 Cherrylane Metropolitan District as of December 31, 2022, 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 Cherrylane Metropolitan 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 Cherrylane Metropolitan 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 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

Management has omitted 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cherrylane Metropolitan District's basic financial statements. The individual fund budgetary comparison schedule on page 19 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The individual budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crady, Puca & Associates

Aurora, Colorado
June 6, 2023

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHERRYLANE METROPOLITAN DISTRICT
Statement of Net Position
December 31, 2022

	Total Governmental Activities
Assets:	
Cash and investments - unrestricted	\$ 16,427
Due from county treasurer	1,835
Property tax receivable	309,818
Prepays	495
Cash and investments - restricted	487,617
Total assets	816,192
Liabilities:	
Accounts payable	3,066
Accrued interest	1,168,147
Bonds payable:	
Due within one year	35,000
Due in more than one year	3,649,000
Developer payable:	
Due in more than one year	2,321,624
Total liabilities	7,176,837
Deferred inflows of resources:	
Unavailable revenue - property taxes	309,818
Total deferred inflows of resources	309,818
Net position:	
Net investment in capital assets	-
Restricted for emergencies	2,225
Restricted for debt service	489,062
Unrestricted	(7,161,750)
Total net position	\$ (6,670,463)

The accompanying notes are an integral part of this financial statement.

CHERRYLANE METROPOLITAN DISTRICT
Statement of Activities
For the Year Ended December 31, 2022

	Total Governmental Activities
Expenditures:	
Governmental activities:	
Accounting and audit	\$ 17,406
Legal	9,171
Insurance, bonds, and SDA dues	2,974
Treasurer fees	4,677
Bank and trustee fees	6,417
Elections	2,976
Website	600
Miscellaneous	315
Interest on long-term debt	408,721
Total expenditures	<u>453,257</u>
General Revenues:	
Property and specific ownership taxes	334,610
Interest income	10,574
Total general revenues	<u>345,184</u>
Change in net position	(108,073)
Net position, beginning of year	<u>(6,562,390)</u>
Net position, end of year	<u>\$ (6,670,463)</u>

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

CHERRYLANE METROPOLITAN DISTRICT
Balance Sheet
Governmental Funds
December 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments - unrestricted	\$ 16,427	\$ -	\$ 16,427
Due from county treasurer	390	1,445	1,835
Property tax receivable	64,472	245,346	309,818
Prepaid expenses	495	-	495
Cash and investments - restricted	-	487,617	487,617
Total assets	<u>\$ 81,784</u>	<u>\$ 734,408</u>	<u>\$ 816,192</u>
Liabilities:			
Accounts payable	\$ 3,066	\$ -	\$ 3,066
Total liabilities	<u>3,066</u>	<u>-</u>	<u>3,066</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	64,472	245,346	309,818
Total deferred inflows of resources	<u>64,472</u>	<u>245,346</u>	<u>309,818</u>
Fund balance:			
Nonspendable- prepaid expenses	495	-	495
Restricted for emergencies	2,225	-	2,225
Restricted for debt service	-	489,062	489,062
Unassigned	11,526	-	11,526
Total fund balance	<u>14,246</u>	<u>489,062</u>	<u>503,308</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 81,784</u>	<u>\$ 734,408</u>	<u>\$ 816,192</u>

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

Total fund balance - governmental funds	\$ 503,308
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(7,173,771)
Net position of governmental activities	<u>\$ (6,670,463)</u>

The accompanying notes are an integral part of this financial statement.

CHERRYLANE METROPOLITAN DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Property tax	\$ 66,322	\$ 245,494	\$ 311,816
Specific ownership tax	4,848	17,946	22,794
Interest income	2,983	7,591	10,574
Total revenues	74,153	271,031	345,184
Expenditures:			
Current:			
General government:			
Accounting and audit	17,406	-	17,406
Legal	9,171	-	9,171
Insurance, bonds and SDA dues	2,974	-	2,974
Treasurer fees	995	3,682	4,677
Bank and trustee fees	60	6,357	6,417
Website	600	-	600
Elections	2,976	-	2,976
Miscellaneous	315	-	315
Debt service:			
Principal	50,000	35,000	85,000
Interest	-	165,113	165,113
Total expenditures	84,497	210,152	294,649
Net change in fund balances	(10,344)	60,879	50,535
Fund balance, beginning of year	24,590	428,183	452,773
Fund balance, end of year	\$ 14,246	\$ 489,062	\$ 503,308

The accompanying notes are an integral part of this financial statement.

CHERRYLANE METROPOLITAN DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

	<u>Total Governmental Funds</u>
Net change in fund balances of the governmental funds	\$ 50,535
Amounts reported for governmental activities in the statement of activities are different because:	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has an effect on net position.	85,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(243,608)</u>
Change in net position of governmental activities	<u>\$ (108,073)</u>

The accompanying notes are an integral part of this financial statement.

CHERRYLANE METROPOLITAN DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:				
Property tax	\$ 66,296	\$ 66,296	\$ 66,322	\$ 26
Specific ownership tax	3,978	3,978	4,848	870
Other income	5,000	5,000	-	(5,000)
Interest income	-	-	2,983	2,983
Total revenues	<u>75,274</u>	<u>75,274</u>	<u>74,153</u>	<u>(1,121)</u>
Expenditures:				
General government:				
Accounting and audit	21,950	21,950	17,406	4,544
Legal	10,500	10,500	9,171	1,329
Insurance, bonds, and SDA dues	3,300	3,300	2,974	326
Treasurer fees	994	994	995	(1)
Elections	3,500	3,500	2,976	524
Website	600	600	600	-
Bank fees	-	-	60	(60)
Miscellaneous and contingency	6,200	1,200	315	885
Debt service:				
Developer principal repayment	30,000	50,000	50,000	-
Total expenditures	<u>77,044</u>	<u>92,044</u>	<u>84,497</u>	<u>7,547</u>
Net change in fund balance	(1,770)	(16,770)	(10,344)	6,426
Fund balance, beginning of year	<u>16,927</u>	<u>24,590</u>	<u>24,590</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,157</u>	<u>\$ 7,820</u>	<u>\$ 14,246</u>	<u>\$ 6,426</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the Cherrylane Metropolitan District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District is a quasi-municipal corporation organized by a court order dated February 21, 2013. The District is governed by a five-member elected Board of Directors and operated pursuant to provisions set forth in the Colorado Special District Act. The District was established to finance and construct certain public infrastructure to support the needs of a planned residential development in Adams County, Colorado.

The District complies with GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. It defines component units as legally separate entities for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity as defined by GASB.

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

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property and specific ownership taxes.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues. The District does not have proprietary or fiduciary funds.

The fund financial statements provide information about the government's funds.

1. **Summary of Significant Accounting Policies (continued)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 *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 available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following major governmental funds:

General Fund – is the District's primary operating fund. It accounts for all financial resources of the District not accounted for in another fund.

Debt Service Fund - accounts for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term general obligation debt.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The District may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and flexibility. As applicable, investment earnings are allocated periodically. Investments held in the local government investment pool are reported at net asset value as allowed under US GAAP.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. As of December 31, 2022, the District did not hold any investments required to be reported under fair value.

Property Taxes

Property taxes are levied annually and attach as an enforceable lien on property as of January 1. At the option of the taxpayer, property taxes may be paid in full or in two equal installments. The first of such installment is to be paid as of February 28 and the second installment is to be paid no later than June 15. If elected to be paid in full, the amount is to be paid no later than April 30. If payments are not made timely, delinquent interest accrues. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are available or collected.

Capital Assets

Capital assets, which include infrastructure assets such as roads, water and sanitation, and parks and recreation are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Normal maintenance and repairs that do not add value to assets or materially extend the life of assets are not capitalized. Improvements are capitalized and depreciated over the estimated useful lives of the capital assets. Depreciation on property that remain assets of the District is reported as a current charge in the statement of activities. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. All capital assets acquired or constructed by the District have been conveyed to other governments.

1. **Summary of Significant Accounting Policies (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. In the current year, the District did not have any items in this reporting category.

In addition to liabilities, the statement of net 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 inflow of resources (revenue) until that time frame. The District has one item that qualifies for reporting in this category, *unavailable revenue-property taxes*. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balance on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which include items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's Board of Directors, the District's highest level of decision-making authority. The constraint may be removed or changed only through formal action of the Board of Directors.

1. **Summary of Significant Accounting Policies (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance (continued)

Assigned fund balance. This classification reflects the amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. As of December 31, 2022, the District has not adopted a policy designating District personnel to determined amounts that may be assigned.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Use of Estimates

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

2. **Stewardship, Compliance, and Accountability**

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds.

2. Stewardship, Compliance, and Accountability (continued)

Budgets and Budgetary Accounting (continued)

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derives the necessary property taxes as computed in the proposed budget.

The budget and the appropriating resolution are adopted prior to December 31.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

The level of control in the budget at which expenditures exceeded appropriations is at the fund level. All appropriations lapse at year end.

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined 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 also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants, and sales of assets). The District has reserved a portion of its December 31, 2022 year-end fund balance in the General Fund for emergencies as required under TABOR totaling \$2,225 which is the approximate required reserve at December 31, 2022.

CHERRYLANE METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022

2. Stewardship, Compliance, and Accountability (continued)

TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

On November 6, 2012, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

The District’s management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

3. Detailed Notes on the Funds

Deposits and Investments

At December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

Cash and investments - unrestricted	\$ 16,427
Cash and investments - restricted	<u>487,617</u>
	<u>\$ 504,044</u>

The following is a summary of deposits and investments held by the District at December 31, 2022:

<u>Type</u>	<u>Ratings per Standard & Poor’s</u>	<u>Total as of December 31, 2022</u>
Deposits with financial institutions		\$ 4,764
COLOTRUST PLUS+	AAAm	<u>499,280</u>
Total		<u>\$ 504,044</u>

Cash Deposits

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

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

Investments

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

3. Detailed Notes on the Funds (continued)

Investments (continued)

As of December 31, 2022, the District invested in the Colorado Local Governmental Liquid Asset Trust (COLOTRUST), a local government investment vehicle established for local governmental entities in Colorado to pool surplus funds. COLOTRUST offers three investment options, one of which is COLOTRUST PLUS+. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. 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. Purchases and redemptions are available daily at a net asset value (NAV) of \$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.

COLOTRUST PLUS+ records its investment at fair value and the District records its investment in COLOTRUST PLUS+ at net asset value. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less.

Custodial Credit Risk: As of December 31, 2022, all of the District's deposits and investments were insured by the Federal Deposit Insurance Corporation or held in eligible public depositories as required by PDPA.

Interest Rate Risk: Colorado Revised Statutes (CRS) limit investment maturities to five years or less unless formally approved by the Board. In accordance with CRS, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District follows the general provisions of CRS which limits the District's exposure to credit risk. CRS specify investment instruments meeting defined rating and risk criteria in which local governmental entities may invest. The allowed investments may include but are not limited to the following:

- Certain money market funds
- Local government investment pool

Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct placement and direct borrowings:					
Series 2018A GO Bonds	\$ 3,145,000	\$ -	\$ (35,000)	\$ 3,110,000	\$ 35,000
Series 2018B GO Bonds	574,000	-	-	574,000	-
Developer advances— operations	10,600	-	(10,600)	-	-
Developer advances – capital	<u>2,361,024</u>	<u>-</u>	<u>(39,400)</u>	<u>2,321,624</u>	<u>-</u>
Total	<u>\$ 6,090,624</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 6,005,624</u>	<u>\$ 35,000</u>

3. Detailed Notes on the Funds (continued)

Long-Term Obligations (continued)

General Obligation Bonds

On May 2, 2018, the District issued \$3,190,000 of General Obligation Limited Tax Convertible to Unlimited Tax Bonds Series 2018A ("2018A Senior Bonds") and \$574,000 of Subordinate General Obligation Limited Tax Bonds Series 2018B ("2018B Subordinated Bonds") to finance public improvements, pay cost of issuance of the 2018A Senior Bonds and the 2018B Subordinate Bonds, and fund the Capitalized Interest Fund and the Senior Reserve Bond Fund. The 2018A Senior Bonds bear interest at a rate of 5.25%, payable semiannually on each June 1 and December 1, commencing on December 1, 2018, and maturing on December 1, 2047. The 2018B Subordinate Bonds bear interest at a rate of 7.375%, payable annually on December 15, commencing on December 15, 2018, to the extent that pledged revenue is available, maturing on December 15, 2047. Unpaid interest on the 2018B Subordinated Bonds is capitalized. As of December 31, 2022, unpaid accrued interest on the 2018B Subordinated Bonds amounted to \$223,857.

The 2018A Senior Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2020 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The Series 2018B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 15, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%. The 2018B Subordinate Bonds are cash flow bonds and are subject to mandatory redemption from subordinate pledged revenue, if any, on deposit in the subordinate bond fund.

The 2018A Senior Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, capital fees (if any), and any other legally available funds as determined by the District. In connection with the 2018A Senior Bonds, the District is required to maintain a Reserve Fund in the amount of \$251,750 which was funded upon issuance. In addition, the District is required to maintain a Senior Surplus Fund to a maximum amount of \$319,000. As of December 31, 2022, the Reserve Fund had a balance of \$252,062 and the Senior Surplus Fund had a balance of \$101,816.

The 2018B Subordinated Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinated Required Mill Levy, capital fees (if any), any other legally available funds as determined by the District, and any amounts remaining in the Senior Surplus Fund after termination of the fund.

CHERRYLANE METROPOLITAN DISTRICT
Notes to Financial Statements
December 31, 2022

3. Detailed Notes on the Funds (continued)

Long-Term Obligations (continued)

General Obligation Bonds (continued)

Events of default as defined in the bond agreements for the District's 2018A Senior Bonds of \$3,110,000 and the 2018B Subordinated Bonds of \$574,000 include (1) failure by the District to impose necessary mill levy and/or fee assessment and apply the proceeds thereof as required by the bond purchase agreement, (2) default by the District in performance or observance of any other covenants in the bond purchase agreement or the resolution and such default continues for thirty days after written notice specifying such default and requiring remedy, and (3) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the bond purchase agreement. Failure to pay principal and interest on the bonds when due shall not, of itself, constitute an event of default under the bond purchase agreement. Remedies available in the event of default include suit, action, or special proceedings. Acceleration of the bonds is not an available remedy for default.

The following is a summary of the annual long-term debt principal and interest requirements for the 2018A Senior Bonds. Because of the uncertainty of the timing of the principal and interest payments on the 2018B Subordinate Bonds, no schedule of principal and interest payments is presented.

Year Ending December 31,	Principal	Interest	Total
2023	\$ 35,000	\$ 163,275	\$ 198,275
2024	40,000	161,438	201,438
2025	45,000	159,338	204,338
2026	50,000	156,975	206,975
2027	55,000	154,350	209,350
2028-2032	355,000	723,188	1,078,188
2033-2037	520,000	613,463	1,133,463
2038-2042	740,000	455,175	1,195,175
2043-2047	1,270,000	233,363	1,503,363
Total	\$ 3,110,000	\$ 2,820,565	\$ 5,930,565

As of December 31, 2022, the District had total authorized debt of \$63,000,000 of which \$3,764,000 has been issued, leaving an authorized but unissued balance of \$59,236,000. Per the District's Service Plan, the District cannot issue debt in excess of \$4,500,000 without the approval of the City.

Developer Obligations

On November 11, 2015, the District entered into an agreement with the Developer to fund the operations costs shortfall of the District through December 31, 2018. Interest is to be accrued on this obligation at 8% per annum from the date of the advance. As of December 31, 2022, the principal balance of the agreement has been paid in full and the District owes the Developer \$30,874 of unpaid accrued interest. In the event the District has not paid or reimbursed the Developer for the operations shortfall by November 15, 2051, any amount of principal or accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

3. Detailed Notes on the Funds (continued)

Long-Term Obligations (continued)

Developer Obligations (continued)

In April 2018, the District approved a resolution regarding the acceptance of district eligible costs for public improvements funded by the Developer. The resolution approved eligible costs for developer reimbursement in the amount of \$5,474,925. During 2018, the District issued 2018A Senior Bonds and the 2018A Subordinate Bonds and paid \$3,113,901 to the Developer under this resolution. As of December 31, 2022, the District is obligated to the Developer for \$2,321,624 under this resolution. The resolution provides for payments subject to annual appropriations and does not guarantee future payments. Simple interest is to be accrued on this obligation at 8% per annum from the date of the advance. As of December 31, 2022, the District is obligated to the Developer for \$898,046 of unpaid accrued interest.

4. Other Information

Related Party

The Board of Directors is associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

The District has entered into various funding agreements with the Developer, see Note 3.

Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, 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. During the year ended December 31, 2022, the Pool has made no distributions nor required additional contributions from the District.

5. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. Explanation of the reconciling items is as follows:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this difference are as follows:

Bonds payable	\$ (3,684,000)
Developer advances	(2,321,624)
Accrued interest on bonds	(239,227)
Accrued interest on developer advances	(928,920)
Net adjustment	<u>\$ (7,173,771)</u>

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

The issuance of long-term debt (e.g. bonds payable, developer advances) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The details of this difference are as follows:

Principal payments on bonds payable	\$ 35,000
Principal payments on developer advances	50,000
Net adjustment	<u>\$ 85,000</u>

The reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The difference is due to a net increase in accrued interest on the general obligation bonds and developer debt of \$(243,608).

SUPPLEMENTARY INFORMATION

CHERRYLANE METROPOLITAN DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Property tax	\$ 245,397	\$ 245,494	\$ 97
Specific ownership tax	14,724	17,946	3,222
Interest income	600	7,591	6,991
Total revenues	<u>260,721</u>	<u>271,031</u>	<u>10,310</u>
Expenditures:			
General government:			
Treasurer fees	3,681	3,682	(1)
Bank and trustee fees	6,900	6,357	543
Miscellaneous and contingency	5,000	-	5,000
Debt service:			
Principal	35,000	35,000	-
Interest	165,113	165,113	-
Total expenditures	<u>215,694</u>	<u>210,152</u>	<u>5,542</u>
Net change in fund balance	45,027	60,879	15,852
Fund balance, beginning of year	<u>419,561</u>	<u>428,183</u>	<u>8,622</u>
Fund balance, end of year	<u>\$ 464,588</u>	<u>\$ 489,062</u>	<u>\$ 24,474</u>

The accompanying notes are an integral part of this financial statement.