

ROSE FARM ACRES METROPOLITAN DISTRICT
Larimer County, Colorado

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2020

ROSE FARM ACRES METROPOLITAN DISTRICT


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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rose Farm Acres Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, of Rose Farm Acres Metropolitan District, as of and for the year ended December 31, 2020, 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 Rose Farm Acres Metropolitan District, as of December 31, 2020, 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 Rose Farm Acres 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rose Farm Acres Metropolitan District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures 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 Rose Farm Acres 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 Rose Farm Acres Metropolitan District's ability to continue as a going concern for a reasonable period of time.

Required Supplementary Information

Management has omitted the management 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 opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rose Farm Acres Metropolitan District's basic financial statements. The Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Capital Projects Fund, and the Schedule of Debt Service Requirement to Maturity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Capital Projects Fund, and the Schedule of Debt Service Requirement to Maturity are the responsibility of management and were derived from and relate 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 Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund, the Schedule of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – Capital Projects Fun, and the Schedule of Debt Service Requirement to Maturity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Haynie & Company

Littleton, CO
January 10, 2022

BASIC FINANCIAL STATEMENTS

Rose Farm Acres Metropolitan District
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government			Capital Grants and Contributions	Governmental Activities
General government	\$ 36,949	\$ -	\$ -	\$ (36,949)
Interest on long-term debt and related costs	356,538	-	-	(356,538)
Total government activities	\$ 393,487	\$ -	\$ -	\$ (393,487)

General revenues:

Taxes	41,454
Specific ownership tax	2,971
Interest income	327
Total general revenue	44,752
Change in net position	(348,735)
Net position - Beginning	(30,663)
Net position - Ending	\$ (379,398)

These financial statements should be read only in connection with the accompanying notes to financial statements.

Rose Farm Acres Metropolitan District
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments - unrestricted	\$ 22,590	\$ -	\$ -	\$ 22,590
Cash and investments - restricted	-	369,135	-	369,135
Prepaid expense	2,533	-	-	2,533
Accounts receivable, County	241	-	-	241
Property taxes receivable	40,675	131,596	-	172,271
Total assets	\$ 66,039	\$ 500,731	\$ -	\$ 566,770
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Accounts payable	\$ 6,233	\$ -	\$ -	\$ 6,233
Total liabilities	6,233	-	-	6,233
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	40,675	131,596	-	172,271
Total deferred inflows of resources	40,675	131,596	-	172,271
FUND BALANCE				
Nonspendable:				
Prepaid expenditures	2,533	-	-	2,533
Restricted:				
Emergency reserves	1,350	-	-	1,350
Debt service	-	369,135	-	369,135
Unrestricted				
Undesignated	15,248	-	-	15,248
Total fund balance	19,131	369,135	-	388,266
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
	\$ 66,039	\$ 500,731	\$ -	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	4,027,420
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Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:

Bonds payable	(3,900,000)
Bond premium	(48,730)
Accrued interest on bonds payable	(12,056)
Developer advance payable	(807,880)
Accrued interest on Developer advance payable	(26,418)
	(3,995,084)

Net position of governmental activities	\$ (379,398)
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

Rose Farm Acres Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 41,454	\$ -	\$ -	\$ 41,454
Specific ownership tax	2,971	-	-	2,971
Interest income	317	10	-	327
Total revenue	<u>44,742</u>	<u>10</u>	<u>-</u>	<u>44,752</u>
EXPENDITURES				
General government				
Accounting and administrative	3,782	-	-	3,782
Insurance	2,439	-	-	2,439
Legal	20,565	-	-	20,565
Treasurer's Fees	835	-	-	835
Utilities	3,418	-	-	3,418
Contingency/miscellaneous	5,910	-	-	5,910
Capital improvements	-	-	4,027,420	4,027,420
Debt Service:				
Interest and fiscal charges	-	39,036	-	39,036
Total expenditures	<u>36,949</u>	<u>39,036</u>	<u>4,027,420</u>	<u>4,103,405</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>7,793</u>	<u>(39,026)</u>	<u>(4,027,420)</u>	<u>(4,058,653)</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	31,838	-	747,385	779,223
Bond proceeds	-	3,900,000	-	3,900,000
Bond premium	-	49,305	-	49,305
Cost of issuance	-	(281,609)	-	(281,609)
Transfer from/to other funds	(20,500)	(3,259,535)	3,280,035	-
Total other financing sources (uses)	<u>11,338</u>	<u>408,161</u>	<u>4,027,420</u>	<u>4,446,919</u>
NET CHANGE IN FUND BALANCE	<u>19,131</u>	<u>369,135</u>	<u>-</u>	<u>388,266</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,131</u>	<u>\$ 369,135</u>	<u>\$ -</u>	<u>\$ 388,266</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Rose Farm Acres Metropolitan District
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	\$ <u>388,266</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay in the current period.	4,027,420
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Bond proceeds	(3,900,000)
Bond premium	(48,730)
Developer advance - Operating	(31,838)
Developer advance - Capital	(747,385)
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.	
Interest on Developer advance	(24,412)
Accrued interest on bonds - change in liability	<u>(12,056)</u>
Change in net position - Governmental activities	<u>\$ (348,735)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Rose Farm Acres Metropolitan District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ 41,454	\$ 41,454	\$ 41,454	\$ -
Specific ownership taxes	-	2,700	2,971	271
Interest income	-	-	317	317
Total Revenues	<u>41,454</u>	<u>44,154</u>	<u>44,742</u>	<u>588</u>
EXPENDITURES				
General government:				
District management and accounting	7,200	5,000	3,782	1,218
Election costs	2,000	-	-	-
Insurance	2,000	2,340	2,439	(99)
Legal	13,000	13,000	20,565	(7,565)
Office costs	550	100	-	100
Organizational costs	10,000	-	-	-
Lanscaping	11,000	-	-	-
Treasurer's fees	-	-	835	(835)
Utilities	250	2,500	3,418	(918)
Contingency/miscellaneous	3,900	1,551	5,910	(4,359)
Total Expenditures	<u>49,900</u>	<u>24,491</u>	<u>36,949</u>	<u>(12,458)</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(8,446)</u>	<u>19,663</u>	<u>7,793</u>	<u>(11,870)</u>
OTHER FINANCING SOURCES (USES)				
Developer advance - reimbursement	-	(18,000)	-	18,000
Developer advance	8,446	30,000	31,838	1,838
Transfers from (to) other funds	-	(31,663)	(20,500)	11,163
Total other financing sources (uses)	<u>8,446</u>	<u>(19,663)</u>	<u>11,338</u>	<u>31,001</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>19,131</u>	<u>19,131</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,131</u>	<u>\$ 19,131</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Rose Farm Acres Metropolitan District
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rose Farm Acres Metropolitan District (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on November 16, 2018. The District was organized to provide for construction and financing of street, safety control, water, sanitation, storm drainage and landscaping improvements. The District derives its revenue principally from property taxes and developer advances.

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

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). A summary of the significant accounting policies used in the preparation of these financial statements follows.

Reporting Entity — The District has no component units for which either discrete or blended presentation is required. The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. *Program revenues* include 1) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting and Financial Statement Presentation — The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual basis, property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District reports the following major governmental fund:

General Fund – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

Capital Projects Fund – The capital projects fund accounts for the financial resources to be used for the acquisition and construction of capital infrastructure.

When both restricted and unrestricted resources are available for use, it is the District's policy to apply restricted resources first, then unrestricted resources as they are needed.

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

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

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

Restricted Cash and Investments — The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because their use is limited by debt agreements.

Capital Assets — Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, and similar items) are reported 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. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of the net investment in capital assets of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

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

In addition to liabilities, the statement of net position and balance sheets 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 and fund balance 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. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Fund Balance Classification — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Non-spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted -This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant),

grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Estimates — The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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

Budget Information — The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In the fall, the District Manager submits to the Board of Directors, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the District to obtain taxpayer comments.
3. Prior to December 15, the budget is legally approved.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the governmental funds.
6. The budget for the all funds is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

7. Budgeted amounts are as originally adopted or amended. The Board of Directors approved supplemental appropriations in the General Fund from \$49,900 to \$74,154, in the Debt Service Fund from \$0 to \$3,552,756 and in the Capital Projects Fund from \$0 to \$4,000,000. The actual expenditures exceeded the amended budget in the Capital Projects Fund which may be a violation of State law.
8. All annual appropriations lapse at the end of the year.

3. CASH AND INVESTMENTS

The District's cash and investments are classified in the accompanying financial statements as of December 31, 2020:

Statement of net position:

Cash and investments-unrestricted	\$ 22,590
Cash and investments-restricted	<u>369,135</u>
Total cash and investments	<u>\$391,725</u>

Cash and investments as of December 31, 2020 consist of the following:

Demand deposits	\$ 22,590
Investments	<u>369,135</u>
Total cash and investments	<u>\$391,725</u>

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 equal to 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, 2020, the District's cash deposits had a bank balance of \$23,085 and a carrying balance of \$22,590.

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

The District generally limits its investments to those which are believed to have minimal interest rate risk and no foreign currency risk. Additionally, the district is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

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

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

Fair Value Measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3) as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Investments measured at NAV:

COLOTRUST

Total investments measured at NAV	<u>\$369,135</u>
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Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. A twelve-member Board of Trustees, elected by the fund participants, is responsible for overseeing the management of COLOTRUST, including establishing operating standards and policies. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes. COLOTRUST reports all investments as level 2 investments while the District's investment in COLOTRUST is reported at NAV. The District has no unfunded commitments or redemption restrictions on their investment in COLOTRUST. The separate audited financial statements of COLOTRUST are available on their website at www.colotrust.com.

Credit risk - State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of December 31, 2020, all of the District's investments were invested in COLOTRUST. COLOTRUST has a credit quality rating of "AAAm", as determined by Standard & Poor Global Ratings.

Interest rate risk - State law limits investments with a maximum maturity date of no more than five years from the date of purchase. The District does not have an investment policy that would further limit its investment choices.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2020</u>
Governmental activities:				
Capital assets, not being depreciated:				
Capital improvements	\$ -	\$ 4,027,420	\$ -	\$ 4,027,420
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 4,027,420</u>	<u>\$ -</u>	<u>\$ 4,027,420</u>

Rose Farm Acres Metropolitan District
NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM LIABILITIES

	Balance at December 31, 2019	Additons	Reductions	Balance at December 31, 2020	Due Within One Year
Governmental activities:					
Bonds payable:					
Limited Tax G.O.Bonds					
Series 2020	\$ -	\$ 3,900,000	\$ -	\$ 3,900,000	\$ -
Bond premium					
Series 2020	-	49,305	(575)	48,730	-
Total bonds payable	-	3,949,305	(575)	3,948,730	-
Developer advances payable					
Developer advance - capital	-	4,027,420	(3,280,035)	747,385	-
Developer advance - operating	28,657	31,838	-	60,495	-
Accrued interest on Developer advances	2,006	24,412	-	26,418	-
Total developer advances	30,663	4,083,670	(3,280,035)	834,298	-
Total Long-term liabilities	\$ 30,663	\$ 8,032,975	\$ (3,280,610)	\$ 4,783,028	\$ -

Series 2020A Limited Tax General Obligation Bonds— On August 27, 2020, the District issued \$2,990,000 in limited Senior tax general obligation bonds for the purpose of providing for the payment of certain costs of Public improvements incurred by the Developer in accordance with Developer Agreements.

The bonds bear interest at 5.0% per annum, payable on June 1 and December 1, commencing on December 1, 2021, and shall mature on December 1, 2050. The bonds are secured and payable from pledged revenue which consists of moneys derived from the the required mill levy and a portion of the Specific Ownership Tax. The bonds are subject to mandatory redemption in part by lot on December 1 of each year commencing December 1, 2023.

Series 2020B Limited Tax General Obligation Bonds— On August 27, 2020, the District issued \$910,000 in limited Subordinate tax general obligation bonds for the purpose of providing for the payment of certain costs of Public improvements incurred by the Developer in accordance with Developer Agreements.

The bonds bear interest at 8.75% per annum, payable on June 1 and December 1, commencing on June 1, 2024, and shall mature on December 15, 2050. The bonds are secured and payable from pledged revenue which consists of excess moneys derived from the the required mill levy and a portion of the Specific Ownership Tax.

Rose Farm Acres Metropolitan District
NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for the 2020A general obligation bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2021	\$ -	\$ 149,500	\$ 149,500
2022	-	149,500	149,500
2023	25,000	149,500	174,500
2024	30,000	148,250	178,250
2025	30,000	146,750	176,750
2026 - 2030	220,000	706,500	926,500
2031 - 2035	335,000	640,250	975,250
2036 - 2040	495,000	541,750	1,036,750
2041 - 2045	685,000	399,500	1,084,500
2046 - 2050	1,170,000	204,500	1,374,500
Total	<u>\$ 2,990,000</u>	<u>\$ 3,236,000</u>	<u>\$ 6,226,000</u>

Because of the uncertainty of the timing of the principal and interest payment of the Series 2020B Bonds, no schedule of principal and interest payments is presented.

Debt Authorization – On November 6, 2018, a majority of qualified electors of the District who voted in the election authorized the issuance of indebtedness. Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$6,000,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District’s service area. At December 31, 2020, the District had \$2,100,000 of authorized but unissued debt.

Developer Advances – On March 20, 2019, the District entered into an agreement with RCD Partners LLC (the “Developer”) for reimbursement of costs related to capital improvements plus 7% interest. As of December 31, 2020, outstanding advances under the agreement total \$747,385 and \$22,406 of accrued interest.

On March 20, 2019, the District entered into an agreement with the Developer for reimbursement of costs associated with the formation, administration, operations and maintenance of public facilities as defined in the District’s Service Plan, and other general fund expenditures plus interest at 7%. At December 31, 2020, outstanding advances under the agreement totaled \$60,495, plus accrued interest of \$4,012.

6. AGREEMENTS

Improvement Acquisition Agreement

On August 25, 2020, the District entered into an Improvement Acquisition Agreement with the Developer wherein the District accepted certain improvements on behalf of the District constructed by the Developer. As of December 31, 2020, the District had approved and accepted certified capital costs totaling \$4,027,420.

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

7. NET POSITION

The District's net position includes two components: restricted and unrestricted.

Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Net position includes:

Restricted:

Emergency reserve (TABOR)	<u>\$ 1,350</u>
Total restricted net position	<u>\$ 1,350</u>

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2020, the District had unrestricted net position of \$5,725.

8. RELATED PARTY

The Developer of the property which constitutes the District is RCD Partners LLC. The members of the Board of Directors are owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

The District pays annual premiums to the Pool for liability 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.

10. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

Rose Farm Acres Metropolitan District

NOTES TO FINANCIAL STATEMENTS

11. AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the *State Constitution*, Article X, Section 20, referred to as the Taxpayer's Bill of Rights (TABOR), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 6, 2018, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2018 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Rose Farm Acres Metropolitan District
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - BUDGET AND ACTUAL
 DEBT SERVICE FUND**
 For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Specific ownership taxes	-	-	-	-
Interest income	-	-	10	10
Total Revenues	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
EXPENDITURES				
Debt Service:				
Bond payment - interest	-	45,813	39,036	6,777
Paying agent fee	-	1,000	-	1,000
Total Expenditures	<u>-</u>	<u>46,813</u>	<u>39,036</u>	<u>7,777</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(46,813)</u>	<u>(39,026)</u>	<u>7,787</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,912,000	3,900,000	(12,000)
Bond premium	-	-	49,305	49,305
Cost of issuance	-	(336,860)	(281,609)	55,251
Transfer from other funds	-	31,663	20,500	(11,163)
Transfer to other funds	-	(3,169,083)	(3,280,035)	(110,952)
Total other financing sources	<u>-</u>	<u>437,720</u>	<u>408,161</u>	<u>(29,559)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>390,907</u>	<u>369,135</u>	<u>(21,772)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 390,907</u>	<u>\$ 369,135</u>	<u>\$ (21,772)</u>

Rose Farm Acres Metropolitan District
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u> <u>Original</u>	<u>Budgeted Amounts</u> <u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Total Revenue	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital improvements	-	4,000,000	4,027,420	(27,420)
Total Expenditures	-	4,000,000	4,027,420	(27,420)
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	-	(4,000,000)	(4,027,420)	(27,420)
OTHER FINANCING SOURCES (USES)				
Developer advance - Capital	-	4,000,000	747,385	(3,252,615)
Bond proceeds	-	-	-	-
Transfer from other funds	-	-	3,280,035	3,280,035
Total other financing sources (uses)	-	4,000,000	4,027,420	27,420
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Rose Farm Acres Metropolitan District
DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020

\$2,990,000

Limited Tax General Obligation Bonds
Series 2020

Dated August 27, 2020

Bonds and Interest

**Maturing in the
Year Ending
December 31,**

Interest Payable on June 1

Principal and Interest Payable on December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 149,500	\$ 149,500
2022	-	149,500	149,500
2023	25,000	149,500	174,500
2024	30,000	148,250	178,250
2025	30,000	146,750	176,750
2026	35,000	145,250	180,250
2027	40,000	143,500	183,500
2028	45,000	141,500	186,500
2029	45,000	139,250	184,250
2030	55,000	137,000	192,000
2031	55,000	134,250	189,250
2032	65,000	131,500	196,500
2033	65,000	128,250	193,250
2034	75,000	125,000	200,000
2035	75,000	121,250	196,250
2036	85,000	117,500	202,500
2037	90,000	113,250	203,250
2038	100,000	108,750	208,750
2039	105,000	103,750	208,750
2040	115,000	98,500	213,500
2041	120,000	92,750	212,750
2042	130,000	86,750	216,750
2043	135,000	80,250	215,250
2044	145,000	73,500	218,500
2045	155,000	66,250	221,250
2046	165,000	58,500	223,500
2047	175,000	50,250	225,250
2048	190,000	41,500	231,500
2049	195,000	32,000	227,000
2050	445,000	22,250	467,250
	<u>\$ 2,990,000</u>	<u>\$ 3,236,000</u>	<u>\$ 6,226,000</u>