

**JACOBY FARM METROPOLITAN DISTRICT**  
**WELD COUNTY, COLORADO**

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

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December 31, 2021



**Crady, Puca & Associates**

*Certified Public Accountants & Consultants*

**JACOBY FARM METROPOLITAN DISTRICT  
WELD COUNTY, COLORADO**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of the Jacoby Farm Metropolitan District

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jacoby Farm Metropolitan District as of and for the year ended December 31, 2021, and related notes to the financial statements, which collectively comprise Jacoby Farm 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 Jacoby Farm Metropolitan District as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Jacoby Farm 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 Jacoby Farm 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 Jacoby Farm 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 Jacoby Farm 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 Jacoby Farm Metropolitan District's basic financial statements. The individual fund budgetary comparison schedule on page 21 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  
July 29, 2022

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**JACOBY FARM METROPOLITAN DISTRICT**  
**Statement of Net Position**  
**December 31, 2021**

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	<b>Total Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 13,433
Accounts receivable homeowners	6,394
Due from county treasurer	774
Property tax receivable	223,898
Prepays	1,502
Cash and investments - restricted	4,500
Capital assets:	
Non-depreciable	186,760
Depreciable, net	869,054
<b>Total assets</b>	<b>1,306,315</b>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	7,893
Accrued interest	514,367
Bonds and developer payables:	
Due within one year	-
Due in more than one year	9,805,453
<b>Total liabilities</b>	<b>10,327,713</b>
<b>Deferred inflows of resources:</b>	
Unavailable revenue - prepaid charges	664
Unavailable revenue - property taxes	223,898
<b>Total deferred inflows of resources</b>	<b>224,562</b>
<b>Net position:</b>	
Net investment in capital assets	-
Restricted for emergencies	3,888
Restricted for debt service	4,500
Unrestricted	(9,254,348)
<b>Total net position</b>	<b>\$ (9,245,960)</b>

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

**JACOBY FARM METROPOLITAN DISTRICT**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

	<b>Total Governmental Activities</b>
<b>Expenditures:</b>	
Governmental activities:	
Audit	\$ 950
Legal	20,949
Insurance	2,764
Treasurer fees	2,795
District management and accounting	24,720
Utilities	13,275
Landscape and maintenance	66,659
Office and administration	2,373
Depreciation	66,592
Interest on long-term debt	703,240
Bond issuance	353,320
<b>Total expenditures</b>	<u>1,257,637</u>
<b>Program Revenues:</b>	
Water fees	50,667
<b>Total program revenues</b>	<u>50,667</u>
Net program expense	(1,206,970)
<b>General Revenues:</b>	
Property and specific ownership taxes	195,509
Fees and fines	4,540
Interest income	479
Development fees	1,000
<b>Total general revenues</b>	<u>201,528</u>
<b>Special Item:</b>	
Forgiveness of debt	1,514,182
<b>Change in net position</b>	508,740
<b>Net position, beginning of year</b>	<u>(9,754,700)</u>
<b>Net position, end of year</b>	<u><u>\$ (9,245,960)</u></u>

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

## **FUND FINANCIAL STATEMENTS**

**JACOBY FARM METROPOLITAN DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 13,433	\$ -	\$ 13,433
Accounts receivable homeowners	6,394	-	6,394
Due from county treasurer	774	-	774
Property tax receivable	64,945	158,953	223,898
Prepays	1,502	-	1,502
Cash and investments - restricted	-	4,500	4,500
<b>Total assets</b>	<u>\$ 87,048</u>	<u>\$ 163,453</u>	<u>\$ 250,501</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 7,893	\$ -	\$ 7,893
<b>Total liabilities</b>	<u>7,893</u>	<u>-</u>	<u>7,893</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - prepaid charges	664	-	664
Unavailable revenue - property taxes	64,945	158,953	223,898
<b>Total deferred inflows of resources</b>	<u>65,609</u>	<u>158,953</u>	<u>224,562</u>
<b>Fund balance:</b>			
Nonspendable	1,502	-	1,502
Restricted:			
Emergencies	3,888	-	3,888
Debt services	-	4,500	4,500
Unassigned	8,156	-	8,156
<b>Total fund balance</b>	<u>13,546</u>	<u>4,500</u>	<u>18,046</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 87,048</u>	<u>\$ 163,453</u>	<u>\$ 250,501</u>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>			
Total fund balance - governmental funds			\$ 18,046
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			1,055,814
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			<u>(10,319,820)</u>
<b>Net position of governmental activities</b>			<u>\$ (9,245,960)</u>

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

**JACOBY FARM METROPOLITAN DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property tax	\$ 63,675	\$ 122,491	\$ 186,166
Specific ownership tax	9,343	-	9,343
Water fees	50,667	-	50,667
Fees and fines	4,540	-	4,540
Interest income	391	88	479
Development fees	1,000	-	1,000
<b>Total revenues</b>	<u>129,616</u>	<u>122,579</u>	<u>252,195</u>
<b>Expenditures:</b>			
Current:			
General government:			
Audit	950	-	950
Legal	20,949	-	20,949
Insurance	2,764	-	2,764
Treasurer fees	956	1,839	2,795
District management and accounting	24,720	-	24,720
Utilities	13,275	-	13,275
Landscape and maintenance	66,659	-	66,659
Office and administration	2,283	90	2,373
Debt service:			
Principal	-	120,654	120,654
Issuance costs	-	353,320	353,320
<b>Total expenditures</b>	<u>132,556</u>	<u>475,903</u>	<u>608,459</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,940)</u>	<u>(353,324)</u>	<u>(356,264)</u>
<b>Other financing sources (uses):</b>			
Refunding bonds issued	-	9,750,000	9,750,000
Payment to refunded bond escrow agent	-	(9,393,125)	(9,393,125)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>356,875</u>	<u>356,875</u>
<b>Net change in fund balance</b>	(2,940)	3,551	611
<b>Fund balance, beginning of year</b>	16,486	949	17,435
<b>Fund balance, end of year</b>	<u>\$ 13,546</u>	<u>\$ 4,500</u>	<u>\$ 18,046</u>

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

**JACOBY FARM METROPOLITAN DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balance of the Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2021**

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	<u>Total Governmental Funds</u>
<b>Net change in fund balance of the governmental funds</b>	\$ 611
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expenses.	(66,592)
Some revenues reported in the statement of activities do not provide current financial resources and therefore, are not recorded as revenue in governmental funds.	1,514,182
Bonds and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(236,221)
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 the governmental funds.	<u>(703,240)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 508,740</u></u>

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

**JACOBY FARM METROPOLITAN DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
<b>Revenues:</b>				
Property tax	\$ 63,675	\$ 63,675	\$ 63,675	\$ -
Specific ownership tax	9,308	9,343	9,343	-
Water fees	45,000	50,667	50,667	-
Interest income	-	405	391	(14)
Fines and fees	-	4,190	4,540	350
Development fees	-	1,000	1,000	-
Other income	-	365	-	(365)
<b>Total revenues</b>	<u>117,983</u>	<u>129,645</u>	<u>129,616</u>	<u>(29)</u>
<b>Expenditures:</b>				
General government:				
Audit	1,000	950	950	-
Legal	12,000	19,970	20,949	(979)
District management and accounting	24,720	24,720	24,720	-
Insurance	2,640	2,764	2,764	-
Treasurer fees	955	956	956	-
Utilities	9,500	13,275	13,275	-
Landscape and maintenance	62,900	64,297	66,659	(2,362)
Office and administration	2,081	2,252	2,283	(31)
Contingency	1,000	-	-	-
<b>Total expenditures</b>	<u>116,796</u>	<u>129,184</u>	<u>132,556</u>	<u>(3,372)</u>
<b>Net change in fund balance</b>	1,187	461	(2,940)	(3,401)
<b>Fund balance, beginning of year</b>	<u>12,363</u>	<u>16,486</u>	<u>16,486</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 13,550</u>	<u>\$ 16,947</u>	<u>\$ 13,546</u>	<u>\$ (3,401)</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 Jacoby Farm 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 and operated pursuant to provision set forth in the Colorado Special District Act. The District was formerly the Windsor Northwest Metropolitan District No. 3 and was established as part of a quad-district structure with the Windsor Northwest Metropolitan Districts Nos. 1, 2 and 4. Originally, the Windsor Northwest Metropolitan Districts were established to provide financing and tax basis for the construction of capital improvements to benefit all four Districts. In 2008, Districts No. 1 and 4 ceased operation and were dissolved. In 2008, District No. 3 became Jacoby Farm Metropolitan District and consists of 122,475 acres known as the Jacoby Farm Subdivision in Weld County, Colorado.

The primary purpose of the District is to finance, operate and maintain the public Improvements, as specifically authorized or in an intergovernmental agreement with the Town of Windsor. The District is governed by a five-member Board of Directors (the "Board") elected by the constituents.

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 as 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.

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

**Basis of Presentation (continued)**

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.

**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. 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 except for irrigation water fees. Irrigation water fees are recognized when the fee is billed. 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 collection of certain revenues and payments on debt service or debt issued.

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

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

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

**Deposits and Investments**

Investments held in the local government investment pool are reported at net asset value as allowed under US GAAP.

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.

**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 generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted 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, 2021, the District did not hold any investments required to be reported under fair value.

**Receivables**

Accounts receivables consist of homeowner water fees as of December 31, 2021. The District considers all accounts receivables collectible as of December 31, 2021.

**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 the prepaid item is recorded as an expenditure when consumed rather than when purchased.

**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.

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

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

**Capital Assets**

Capital assets, including land, water rights and non-potable water system, 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 remaining useful lives of the capital assets. Depreciation is reported as a current charge in the statement of activities. Capital assets are depreciated using the straight-line method over the estimated useful life of 20 years.

**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. The District does not have any items that qualify for reporting in this 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 an inflow of resources (revenue) until that time frame. The District has two items that qualify for reporting in this category, unavailable revenue – property taxes and unavailable revenue – prepaid charges. 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 and other long-term obligations are reported as liabilities.

**Fund Balance**

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balances 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.

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

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

**Fund Balance (continued)**

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.

*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.

*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.

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

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

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. 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.

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. The general fund expenditures exceeded budgeted expenditures by \$3,372.

**JACOBY FARM METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2021**

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**2. Stewardship, Compliance, and Accountability (continued)**

**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, 2021 year-end fund balance in the General Fund for emergencies as required under TABOR totaling \$3,888, which is the approximate required reserve for all funds as of December 31, 2021.

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**

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

Cash and investments	\$ 13,433
Cash and investments - restricted	<u>4,500</u>
	<u>\$ 17,933</u>

The following is a summary of deposits and investments held by the District at December 31, 2021:

<u>Type</u>	<u>Ratings per Standards &amp; Poor's</u>	<u>Total as of December 31, 2021</u>
Deposits with financial institutions		\$ 10,825
COLOTRUST PLUS+	AAAm	<u>7,108</u>
Total		<u>\$ 17,933</u>

3. **Detailed Notes on the Funds (continued)**

**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.

At December 31, 2021, 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+ using the net asset value method. There are no unfunded commitments and there is no redemption notice period. The weighted average maturity is 60 days or less.

**Custodial Credit Risk:** At December 31, 2021, all of the District's deposits 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.

**JACOBY FARM METROPOLITAN DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2021**

**3. Detailed Notes on the Funds (continued)**

**Investments (continued)**

**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

**Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 179,260	\$ -	\$ -	\$ 179,260
Water Rights	7,500	-	-	7,500
Total capital assets not being depreciated	<u>186,760</u>	<u>-</u>	<u>-</u>	<u>186,760</u>
Capital assets being depreciated:				
Non-potable water system	1,331,858	-	-	1,331,858
Total capital assets being depreciated	<u>1,331,858</u>	<u>-</u>	<u>-</u>	<u>1,331,858</u>
Less accumulated depreciation for:				
Non-potable water system	(396,212)	(66,592)	-	(462,804)
Total accumulated depreciation	<u>(396,212)</u>	<u>(66,592)</u>	<u>-</u>	<u>(462,804)</u>
<b>Capital assets being depreciated, net</b>	<u>935,646</u>	<u>(66,592)</u>	<u>-</u>	<u>869,054</u>
<b>Capital assets, net</b>	<u>\$ 1,122,406</u>	<u>\$ (66,952)</u>	<u>\$ -</u>	<u>\$ 1,055,814</u>

Depreciation expense of \$66,592 was charged to general government.

**Long-Term Obligations**

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds:					
2021 Limited Tax Refunding Bonds	\$ -	\$ 9,750,000	\$ -	\$ 9,750,000	\$ -
Direct Borrowings and Direct Placements:					
Series 2018 Note	5,073,000	-	5,073,000	-	-
Series 2010 Note	1,926,598	-	1,926,598	-	-
Operating Advances	55,453	-	-	55,453	-
Governmental activities long-term debt	<u>\$ 7,055,051</u>	<u>\$ 9,750,000</u>	<u>\$ (6,999,598)</u>	<u>\$ 9,805,453</u>	<u>\$ -</u>

**3. Detailed Notes on the Funds (continued)**

**Long-Term Obligations (continued)**

***Limited Tax General Obligation Refunding Bonds, Series 2021***

On September 30, 2021, the District issued \$9,750,000 of Limited Tax General Obligation Refunding Bonds, Series 2021 ("Series 2021 Bonds"). The Series 2021 Bonds were issued for the purpose of repaying the full amount of the Limited Tax General Obligation Note, Series 2010, repaying the full amount of the Taxable Subordinate Limited Tax General Obligation Note, Series 2018, and funding the costs of issuance. As part of the refunding project, the Developer forgave \$1,514,182 in principal on the Taxable Subordinate Limited Tax General Obligation Note, Series 2018.

The Series 2021 Bonds bear interest at a rate of 5%, payable annually on each December 15, commencing on December 1, 2022, to the extent that pledged revenue is available, and maturing on December 15, 2046. Accrued unpaid interest will compound annually on each interest payment date.

The Series 2021 Bonds are subject to a mandatory redemption commencing on December 15, 2022 from pledged revenue, if any, on deposit in the bond fund as determined by the Trustee on each November 15. Amounts shall be applied first to interest and then to principal after all interest and accrued interest has been paid.

The Series 2021 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, 2026, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

The Series 2021 Bonds are secured by pledged revenue which is defined as (a) property tax revenues derived from the required mill levy net of fees and (b) any other legally available monies which the District determined, in its sole discretion, to credit to the bond fund.

Events of default as defined in Series 2021 Bonds Indenture are 1) the failure of the District to impose the required mill levy, or apply the pledged revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indentures or bond resolutions, other than as described in the Indentures, and failure to remedy the same after notice thereof pursuant to the indentures, 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds.

Failure to pay the principal of or interest on the Series 2021 Bonds when due shall not, of itself, constitute an event of default under the indentures. In addition, the District shall not be required to impose the required mill levy for the payment of the Series 2021 Bonds after December 2050 for collection in December 2051. Remedies available in the event of default include 1) receivership, 2) suit for judgment, and 3) mandamus or other suits. Acceleration of the Series 2021 Bonds is not an available remedy for an event of default.

**3. Detailed Notes on the Funds (continued)**

**Long-Term Obligations (continued)**

***Limited Tax General Obligation Refunding Bonds, Series 2021***

As a result of issuance of the Series 2021 Bonds, the refunded bonds are considered to be defeased. This current refunding was undertaken to achieve interest rate savings and effect other economies. The refunding resulted in an economic gain of \$813,333 due to the average interest rate of the Series 2021A Bonds being lower than the refunded bonds.

***Limited Tax General Obligation Note, Series 2010***

In 2010, the District issued its Limited Tax General Obligation Note, Series 2010 ("Series 2010 Note") in the amount of \$1,926,598 to The Windsor Land Company ("Former Developer") for reimbursement of funds advanced on behalf of the District for certain public improvements, all of which were conveyed to the Town of Windsor. On September 30, 2013, the Former Developer entered into an agreement with Windsor CAS, LLC (the "Company") under which the Series 2010 Note was assigned to the Company.

The Series 2010 Note has a final maturity date of November 2, 2040 and carries an interest rate of 9%. The Series 2010 Note is to be repaid plus interest, to the extent that Pledged Revenue, as defined in the Revised Note, are available, but no later than the maturity date. Funds available for payment shall be made annually on December 15<sup>th</sup>. Any amount of principal and unpaid interest on the maturity date shall be cancelled and discharged.

The Series 2010 Note was defeased on September 30, 2021, with the issuance of the Series 2021 Bonds.

***Taxable Subordinate Limited Tax General Obligation Note, Series 2018***

On February 23, 2018, the District Entered into a Taxable Subordinate Limited Tax General Obligation Note, Series 2018 ("Series 2018 Note") with the Company. The Series 2018 Note is subordinate to the Series 2010 Note. The proceeds of the Series 2018 Note were issued for the purpose of funding certified costs of the District which include costs of \$1,258,709 which had been accepted and funded through an Advance, Acquisition and Reimbursement Agreement noted below.

The Series 2018 Note has a final maturity date of February 25, 2048 and carries an interest rate of 7%. The Series 2018 Note is to be repaid plus interest, to the extent that Pledged Revenue, as defined in the Revised Note, are available, but no later than the maturity date. No payments shall be made on the Series 2018 Note until the full amount has been paid on the Series 2010 Note. Funds available for payment shall be made annually on December 15<sup>th</sup>. Any amount of principal and unpaid interest on the maturity date shall be cancelled and discharged.

The Series 2018 Note was defeased on September 30, 2021, with the issuance of the Series 2021 Bonds.

**3. Detailed Notes on the Funds (continued)**

**Long-Term Obligations (continued)**

The Series 2021 Bonds are cash flow bonds with a principal amount of \$9,750,000 due upon final maturity on December 15, 2046. Due to the uncertainty of the timing of interest and principal payments on the Series 2021 Bonds, no principal and interest payment schedule has been provided.

***Authorized Debt***

As of December 31, 2021, the District has total authorized debt of \$200,000,000, of which \$9,750,000 has been issued, leaving an authorized but unissued balance of \$190,250,000. Per the District's Service Plan modification, the District has total authorized debt of \$9,900,000, of which \$9,750,000 has been issued, leaving an authorized but unissued balance of \$150,000.

***Advance, Acquisition and Reimbursement Agreement***

On September 30, 2013, the District entered into an Advance, Acquisition and Reimbursement Agreement ("AAR Agreement") with Richmond American Homes of Colorado (the "Residential Builder") under which the Residential Builder agreed to construct and complete various public improvements on behalf of the District, and to transfer the completed public improvements to the District or the Town of Windsor. Under the terms of the AAR Agreement, the District was to reimburse the Residential Developer for the Reimbursable Costs, as defined and subject to the terms in the agreement, associated with the acquisition or construction of the various public improvements.

To the extent that the District (i) receives bond proceeds for the acquisition or completion of the public improvements or (ii) has other legally available revenue, the District will, from such available sources, reimburse the Residential Builder all advances together with interest at the rate of 9% per annum. Under the AAR Agreement in 2014, the Residential Builder transferred to the District a non-potable irrigation water system in the amount \$1,258,709. The value of the non-potable irrigation water system was established by a cost verification completed by an independent professional engineering firm.

On September 30, 2013, the Residential Builder entered into an agreement with the Company under which the Residential Builder assigned its reimbursement under the AAR Agreement to the Company. All of the advances under AAR Agreement, the Operating Agreement and any other obligations shall be subordinate to all bonds or other multiple-fiscal year debt and financial obligations and not comprise multiple-fiscal year debt. Principal amounts of \$1,258,709 advanced under the AAR were retired upon issuance of the Series 2018 Note. As of December 31, 2021, accrued and unpaid interest amounted to \$369,646.

***Operating Reimbursement Agreement***

On November 6, 2013, the District entered into an Operating Reimbursement Agreement ("Operating Agreement") with the Company under which the Company in its sole and absolute discretion may advance funds to the District for identified funding shortfalls related to the payment of operating, maintenance, and or administrative expenses of the District.

**3. Detailed Notes on the Funds (continued)**

**Long-Term Obligations (continued)**

***Operating Reimbursement Agreement (continued)***

Under the terms of the Operating Agreement, if and to the extent the District has legally available revenue, the District will from such available sources reimburse the Company for all advances together with interest at the rate of 9% per annum.

The Operating Agreement shall terminate on the date the entire advance and any accrued interest has been paid in full or November 5, 2043, whichever date occurs first in time.

During 2018, the District reimbursed the Company \$369,376 for operating advances by selling water shares to other entities and by selling Land and Water Shares to the Company in the amount of \$227,500. As of December 31, 2021, the balance due, including unpaid interest in the amount of \$22,846, was \$78,299.

**4. 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, 2021, the Pool has made no distributions nor required additional contributions from the District.

**5. Related Parties**

All members of the Board of Directors are employees, owners, or family members and are associated with the Company which is the current developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed.

The District has entered into various funding agreements and notes with the Company. During the year, the District issued the Series 2021 Bonds to refund the Series 2010 Note and the Series 2018 Note, both of which, were held by the Company. See Note 3.

**6. 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 a 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:

Capital assets of \$1,518,618 less accumulated depreciation of \$462,804 or a net book value of \$1,055,814 are not financial resources and therefore are not reported in the funds.

Long-term liabilities 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:

Developer note	\$ (55,453)
2021 general obligation bonds	(9,750,000)
Accrued interest on long-term debt	(514,367)
Net adjustment	<u>\$ (10,319,820)</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:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference is due to current year depreciation expense of \$(66,592).

Some revenues reported in the statement of activities do not provide current financial resources and therefore, are not recorded as revenue in governmental funds. The difference is due to principal forgiveness of \$1,514,182.

Bond and other debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net position. Also, government funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference is as follows:

Issuance of refunding bonds	\$ (9,750,000)
Payment to escrow agent	9,393,125
Principal payment on general obligation bonds	120,654
Net adjustment	<u>\$ (236,221)</u>

Another element of 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 details of this difference is due to interest on long-term debt of \$703,240.

## **SUPPLEMENTARY INFORMATION**

**JACOBY FARM METROPOLITAN DISTRICT**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended December 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
<b>Revenues:</b>				
Property tax	\$ 122,491	\$ 122,491	\$ 122,491	\$ -
Interest income	-	89	88	(1)
<b>Total revenues</b>	<u>122,491</u>	<u>122,580</u>	<u>122,579</u>	<u>(1)</u>
<b>Expenditures:</b>				
General government:				
Treasurer fees	1,837	1,839	1,839	-
Office and administration	-	90	90	-
Debt service:				
Principal	-	-	120,654	(120,654)
Interest	120,654	-	-	-
Cost of issuance	-	353,365	353,320	45
<b>Total expenditures</b>	<u>122,491</u>	<u>355,294</u>	<u>475,903</u>	<u>(120,609)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>(232,714)</u>	<u>(353,324)</u>	<u>(120,610)</u>
<b>Other financing sources (uses):</b>				
Refunding bonds issued	-	9,750,000	9,750,000	-
Payment to refunded bond escrow agent	-	(9,513,734)	(9,393,125)	120,609
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>236,266</u>	<u>356,875</u>	<u>120,609</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>3,552</u>	<u>3,551</u>	<u>(1)</u>
<b>Fund balance, beginning of year</b>	<u>1,997</u>	<u>950</u>	<u>949</u>	<u>(1)</u>
<b>Fund balance, end of year</b>	<u>\$ 1,997</u>	<u>\$ 4,502</u>	<u>\$ 4,500</u>	<u>\$ (2)</u>

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