

# **Orchard Farms Metropolitan District**

## **2022 Supplemental Annual Report**

**EXHIBIT A**  
2022 Audit

**ORCHARD FARMS METROPOLITAN DISTRICT  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**ORCHARD FARMS METROPOLITAN DISTRICT  
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Board of Directors  
Orchard Farms Metropolitan District  
Adams County, Colorado

Independent Auditor’s Report

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Orchard Farms Metropolitan District (the “District”), as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Orchard Farms Metropolitan District as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## Other Matters

### Required Supplemental Information

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

### Other Information

The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

August 4, 2023

## **BASIC FINANCIAL STATEMENTS**



**ORCHARD FARMS METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 280,043
Cash and Investments - Restricted	53,137
Accounts Receivable	18,346
Receivable from County Treasurer	6,197
Prepaid Expenses	25,970
Property Taxes Receivable	985,703
Capital Assets, Not Being Depreciated	11,442,021
Total Assets	12,811,417
<b>LIABILITIES</b>	
Accounts Payable	30,142
Loan Interest Payable	49,885
Noncurrent Liabilities:	
Due Within One Year	130,000
Due in More Than One Year	14,035,000
Total Liabilities	14,245,027
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	985,703
Prepaid Assessments	9,660
Unearned Revenue	18,518
Total Deferred Inflows of Resources	1,013,881
<b>NET POSITION</b>	
Restricted For:	
Emergency Reserves	16,400
Unrestricted	(2,463,891)
Total Net Position	\$ (2,447,491)

See accompanying Notes to Basic Financial Statements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 533,860	\$ 240,385	\$ -	\$ -	\$ (293,475)
Interest and Related Costs on Long-Term Debt	1,800,079	-	-	1,959,201	159,122
Total Governmental Activities	\$ 2,333,939	\$ 240,385	\$ -	\$ 1,959,201	(134,353)
 <b>GENERAL REVENUES</b>					
Property Taxes					1,053,446
Specific Ownership Taxes					75,035
Interest Income					17,182
Other Revenue					21,884
Total General Revenues					1,167,547
 <b>CHANGE IN NET POSITION</b>					
					1,033,194
Net Position - Beginning of Year					(3,480,685)
 <b>NET POSITION - END OF YEAR</b>					
					\$ (2,447,491)

See accompanying Notes to Basic Financial Statements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Special Revenue	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 105,920	\$ 174,123	\$ -	\$ 280,043
Cash and Investments - Restricted	9,100	7,300	36,737	53,137
Accounts Receivable	706	17,640	-	18,346
Receivable from County Treasurer	1,514		4,683	6,197
Prepaid Expenses	4,148	21,822	-	25,970
Property Taxes Receivable	283,174	-	702,529	985,703
	<u>\$ 404,562</u>	<u>\$ 220,885</u>	<u>\$ 743,949</u>	<u>\$ 1,369,396</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,491	\$ 23,651	\$ -	\$ 30,142
Total Liabilities	6,491	23,651	-	30,142
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	283,174	-	702,529	985,703
Prepaid Assessments	-	9,660	-	9,660
Unearned Revenue	-	18,518	-	18,518
Total Deferred Inflows of Resources	283,174	28,178	702,529	1,013,881
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Expenses	4,148	21,822	-	25,970
Restricted For:				
Emergency Reserves	9,100	7,300	-	16,400
Debt Service	-	-	41,420	41,420
Committed:				
Operations	-	139,934	-	139,934
Assigned	3,112	-	-	3,112
Unassigned	98,537	-	-	98,537
Total Fund Balances	<u>114,897</u>	<u>169,056</u>	<u>41,420</u>	<u>325,373</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 404,562</u>	<u>\$ 220,885</u>	<u>\$ 743,949</u>	
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, Not Being Depreciated				11,442,021
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Loan Payable				(14,165,000)
Accrued interest Payable				(49,885)
Net Position of Governmental Activities				<u>\$ (2,447,491)</u>

See accompanying Notes to Basic Financial Statements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 257,413	\$ -	\$ 796,033	\$ 1,053,446
Specific Ownership Taxes	18,335	-	56,700	75,035
Interest Income	3,832	2,095	11,255	17,182
Operations Fees	-	220,785	-	220,785
Other Revenue	21,825	59	-	21,884
Legal Collection Fees	-	600	-	600
Transfer Fees	-	19,000	-	19,000
Total Revenues	<u>301,405</u>	<u>242,539</u>	<u>863,988</u>	<u>1,407,932</u>
<b>EXPENDITURES</b>				
General, Administrative, Operations and Maintenance:				
Accounting	38,523	-	-	38,523
Audit	4,400	-	-	4,400
Billing	-	13,200	-	13,200
Community Activities	-	6,861	-	6,861
Community Cleanup	-	450	-	450
County Treasurer's Fees	3,865	-	11,946	15,811
Covenant Enforcement	-	12,972	-	12,972
Design Review	-	8,280	-	8,280
District Management	-	24,220	-	24,220
District Management - Costs	-	9,090	-	9,090
Dues and Subscriptions	338	-	-	338
Election	23,294	-	-	23,294
Electricity	-	1,467	-	1,467
Grounds Repair and Maintenance	-	31,110	-	31,110
Holiday Lighting	-	1,191	-	1,191
Insurance	5,592	12,266	-	17,858
Irrigation Repairs	-	25,037	-	25,037
Landscape Contract	-	60,544	-	60,544
Landscape Replacements and Improvements	-	3,944	-	3,944
Legal	33,663	1,100	-	34,763
Lighting	-	1,620	-	1,620
Miscellaneous	34	-	729	763
Playground Inspection and Repairs	-	14,928	-	14,928
Snow Removal	-	17,488	-	17,488
Tree Replacements	-	9,507	-	9,507
Tree Spraying and Fertilization	-	16,298	-	16,298
Storage Facility	-	479	-	479
Water	-	151,109	-	151,109
Website	990	-	-	990
Debt Service:				
Cost of Issuance	-	-	383,650	383,650
Interest - Series 2017A Bonds	-	-	280,025	280,025
Interest - Series 2017B Bonds	-	-	563,704	563,704
Interest - Series 2017C Bonds	-	-	913,069	913,069
Loan Interest - Series 2022	-	-	127,846	127,846
Loan Principal - Series 2022	-	-	165,000	165,000
Paying Agent Fees	-	-	5,500	5,500
Total Expenditures	<u>110,699</u>	<u>423,161</u>	<u>2,451,469</u>	<u>2,985,329</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	190,706	(180,622)	(1,587,481)	(1,577,397)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Issuance	-	-	14,330,000	14,330,000
2017 Refunding Escrow	-	-	(13,742,631)	(13,742,631)
Transfer (to) from Other Fund	(130,000)	130,000	-	-
Total Other Financing Sources (Uses)	<u>(130,000)</u>	<u>130,000</u>	<u>587,369</u>	<u>587,369</u>
<b>NET CHANGE IN FUND BALANCES</b>	60,706	(50,622)	(1,000,112)	(990,028)
Fund Balances - Beginning of Year	54,191	219,678	1,041,532	1,315,401
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 114,897</u>	<u>\$ 169,056</u>	<u>\$ 41,420</u>	<u>\$ 325,373</u>

See accompanying Notes to Basic Financial Statements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ (990,028)

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

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Loan Issuance	(14,330,000)
Principal Payment - Series 2022 Loan	165,000
Refunding Payment to Series 2017 A, B, C Bonds - Principal	12,893,000
Forgiveness of Debt - Principal	1,795,458

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.

Accrued Interest on Developer Advance - Change in Liability	99,959
Accrued Interest on Loan - Change in Liability	(49,885)
Accrued Interest on Bonds - Change in Liability	<u>1,449,690</u>

Change in Net Position of Governmental Activities \$ 1,033,194

**ORCHARD FARMS METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 257,084	\$ 257,084	\$ 257,413	\$ 329
Specific Ownership Taxes	17,996	13,500	18,335	4,835
Interest Income	85	300	3,832	3,532
Other Revenue	30,000	30,000	21,825	(8,175)
Total Revenues	<u>305,165</u>	<u>300,884</u>	<u>301,405</u>	<u>521</u>
<b>EXPENDITURES</b>				
Accounting	34,000	38,000	38,523	(523)
Audit	4,400	4,400	4,400	-
Contingency	5,340	11,886	-	11,886
County Treasurer's Fees	3,860	3,860	3,865	(5)
Dues and Subscriptions	750	412	338	74
Election	2,000	22,000	23,294	(1,294)
Insurance	6,250	5,342	5,592	(250)
Legal	33,000	33,000	33,663	(663)
Miscellaneous	100	100	34	66
Website	1,000	1,000	990	10
Total Expenditures	<u>90,700</u>	<u>120,000</u>	<u>110,699</u>	<u>9,301</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	214,465	180,884	190,706	9,822
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to Other Funds	(130,000)	(130,000)	(130,000)	-
Total Other Financing Sources (Uses)	<u>(130,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	84,465	50,884	60,706	9,822
Fund Balance - Beginning of Year	<u>42,340</u>	<u>54,191</u>	<u>54,191</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 126,805</u>	<u>\$ 105,075</u>	<u>\$ 114,897</u>	<u>\$ 9,822</u>

See accompanying Notes to Basic Financial Statements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest Income	\$ 195	\$ 3,000	\$ 2,095	\$ (905)
Legal Collection Fees	5,000	500	600	100
Operations Fees	200,000	221,109	220,785	(324)
Other Revenue	-	200	59	(141)
Transfer Fees	30,000	20,000	19,000	(1,000)
Total Revenues	<u>235,195</u>	<u>244,809</u>	<u>242,539</u>	<u>(2,270)</u>
<b>EXPENDITURES</b>				
Billing	13,200	13,200	13,200	-
Community Activities	8,000	8,000	6,861	1,139
Community Cleanup	-	1,500	450	1,050
Covenant Enforcement	12,500	13,000	12,972	28
Design Review	8,280	8,280	8,280	-
District Management - Contract	24,240	24,240	24,220	20
District Management - Costs	9,570	9,056	9,090	(34)
Electricity	2,000	1,500	1,467	33
Grounds Repair and Maintenance	15,000	30,375	31,110	(735)
Holiday Lighting	5,000	3,500	1,191	2,309
Insurance	13,000	12,266	12,266	-
Irrigation Repairs and Improvements	15,000	23,000	25,037	(2,037)
Landscape Maintenance - Contract	60,794	60,544	60,544	-
Landscape Replacements and Improvements	30,000	15,000	3,944	11,056
Legal	9,000	1,500	1,100	400
Lighting	6,000	2,000	1,620	380
Miscellaneous	3,216	5,939	-	5,939
Playground Inspection and Repairs	4,200	15,000	14,928	72
Restroom Maintenance	2,000	1,300	-	1,300
Snow Removal	15,000	15,000	17,488	(2,488)
Tree Replacements	10,000	10,000	9,507	493
Tree Spraying and Fertilization	15,000	15,000	16,298	(1,298)
Storage Facility	-	800	479	321
Water	95,000	140,000	151,109	(11,109)
Total Expenditures	<u>376,000</u>	<u>430,000</u>	<u>423,161</u>	<u>6,839</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(140,805)	(185,191)	(180,622)	4,569
<b>OTHER FINANCING SOURCES</b>				
Transfers from Other Funds	130,000	130,000	130,000	-
Total Other Financing Sources	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,805)	(55,191)	(50,622)	4,569
Fund Balance - Beginning of Year	<u>196,986</u>	<u>219,678</u>	<u>219,678</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 186,181</u></u>	<u><u>\$ 164,487</u></u>	<u><u>\$ 169,056</u></u>	<u><u>\$ 4,569</u></u>

See accompanying Notes to Basic Financial Statements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Orchard Farms Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for the County of Adams, Colorado on November 28, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is located within the boundaries of the city of Thornton, Colorado.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation/storm sewer, street improvements, safety protection, parks and recreation, transportation, fire protection, security, television relay and translation, and mosquito control.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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



**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and operations fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

The Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with maintaining certain amenities and facilities within the District. Revenue reported in this fund include the Operations Fee and Transfer Fee as authorized by the Resolution dated March 12, 2020.

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.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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

The District amended its annual budget for the year ended December 31, 2022.

**Pooled Cash and Investments**

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

**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 County Treasurer collects the determined taxes during the ensuing calendar 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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow 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.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Operations Fees**

The District charges an operations fee to homeowners to cover costs related to district management and maintenance of district property and facilities. Excess fees at year-end are reflected as committed fund balance.

**Capital Assets**

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The item *deferred property tax revenue* is deferred, and recognized as an inflow of resources in the period that the amount becomes available. The item *prepaid assessments* represents operations fees paid to the District in advance and is recognized as an inflow of resources in the period that the revenues are earned. The item *unearned revenue* represents operations fees billed in advance and is recognized as an inflow of resources in the period that the revenues are earned.

**Equity**

**Net Position**

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

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance**

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

*Nonspendable Fund Balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

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

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

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

**NOTE 3 CASH AND INVESTMENTS**

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

Statement of Net Position:

Cash and Investments	\$ 280,043
Cash and Investments - Restricted	53,137
Total Cash and Investments	<u>\$ 333,180</u>

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 17,418
Investments	315,762
Total Cash and Investments	<u>\$ 333,180</u>

**Deposits with Financial Institutions**

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

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

At December 31, 2022, the District's cash deposits had a bank balance of \$15,733 and a carrying balance of \$17,418.

**Investments**

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

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements 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. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

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

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

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund (CSAFE)	Weighted-Average Under 60 Days	\$ 293,132
Fidelity Investments	Weighted-Average Under 60 Days	22,630
		<u>\$ 315,762</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, highest rated commercial paper, and any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**CSAFE (Continued)**

A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

The debt service money that is included in the trust accounts at Zions Bankcorporation is invested in the Fidelity Investments Money Market Government Portfolio – Class III. This portfolio is a money market mutual fund which invests in U.S. Government Securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 60 days or less and repurchase agreements collateralized by U.S. Government Securities. The Fund is rated AAAM by Standard & Poor’s and AAA-mf by Moody’s.

**Fidelity Money Market**

The debt service money that is included in the trust accounts at Zions Bank (a division of Zions Bancorporation, NA.) is invested in the Fidelity Investments Money Market Government Portfolio Class III. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 180 days or less and repurchase agreements collateralized by U.S. Treasury obligations. The Fund is rated AAAM by Standard & Poor’s and AAA-mf by Moody’s.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 11,442,021	\$ -	\$ -	\$ 11,442,021
Capital Assets, Net	<u>\$ 11,442,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,442,021</u>

The District will convey certain public improvements to other governmental entities and will own and maintain certain landscaping improvements once the improvements have been completed and acquired by the District.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance - December 31, 2021	Additions	Retirements	Forgiveness of Debt	Balance - December 31, 2022	Due Within One Year
G.O. Bonds - Series 2017A	\$ 9,740,000	\$ -	\$ 9,740,000	\$ -	\$ -	\$ -
G.O. Bonds - Series 2017B	1,288,000	-	1,288,000	-	-	-
G.O. Bonds - Series 2017C	1,865,000	-	1,865,000	-	-	-
Loan - Series 2022	-	14,330,000	165,000	-	14,165,000	130,000
Accrued and Unpaid Interest - 2017B	537,005	26,699	563,704	-	-	-
Accrued and Unpaid Interest - 2017C	866,014	47,055	913,069	-	-	-
Total Bonds Payable	14,296,019	14,403,754	14,534,773	-	14,165,000	130,000
Other Debt:						
Developer Advances - Capital	1,795,458	-	-	1,795,458	-	-
Accrued Interest: Developer Advances - Capital	99,959	63,784	-	163,743	-	-
Total Long-Term Obligations	<u>\$ 16,191,436</u>	<u>\$ 14,467,538</u>	<u>\$ 14,534,773</u>	<u>\$ 1,959,201</u>	<u>\$ 14,165,000</u>	<u>\$ 130,000</u>

**\$14,330,000 Series 2022 Tax-exempt Converting to Unlimited Tax General Obligation Loan**

On September 16, 2022, the District entered into a Loan Agreement with Zion Bancorporation, N.A. dba: Vectra Bank Colorado (the Bank) in connection with the issuance of a loan in the maximum amount of \$14,330,000 (2022 Loan). The proceeds from the 2022 Loan were used to (i) refund the 2017A Senior Bond in the principal amount of \$9,740,000 which had an interest rate of 5.75%, the 2017B Subordinate Bonds in the principal amount of \$1,288,000 which had an interest rate of 7.750%, and the 2017C Subordinate Bonds in the principal amount of \$1,865,000 which had an interest rate of 13.000% (ii) pay the Bank's combined loan commitment fee and rate lock fee; and (iii) pay the costs of issuing the 2022 Loan; and (iv) pay any remaining proceeds to the Loan Payment Fund. The 2022 Loan does not have any unused lines of credit.

\$13,541,135 of the 2022 Loan proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent along with an additional \$1,676,269 of Loan proceeds and District Funds deposited and uninvested into a trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds have been removed from the District's liabilities. The 2017A, 2017B and 2017C Bonds were redeemed on December 1, 2022, and December 15, 2022, respectively.

The 2022 Loan bears interest at the Base Rate of 4.226%, until the Interest Reset Date of December 1, 2042, then the Base Rate shall be the greater of; (i) the sum of the 10-Year U.S. Treasury Rate as of the Interest Reset Date plus 200 basis point, multiplied by 80% or (ii) 3.50%.



**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$14,330,000 Series 2022 Tax-exempt Converting to Unlimited Tax General Obligation Loan (Continued)**

Interest payments are due on June 1 and December 1 of each year, commencing December 1, 2022 (Interest Payment Dates). All interest due and payable shall be calculated on the basis of a 360-day year and actual number of days elapsed in the applicable period.

Principal payments are due December 1 of each year beginning on December 1, 2022. The 2022 Loan matures on December 1, 2052. To the extent that Principal of the 2022 Loan is not paid when due, principal shall remain outstanding until paid. To the extent interest not paid when due, such unpaid interest shall compound on each Interest Payment Date at a rate as described in the Loan Agreement.

The Loan is not subject to prepayment prior to the tenth anniversary of the Closing Date, except from excess Pledged Revenue. At its option and subject to the restrictions set forth in this Section, the District may prepay all or any part of the principal of the Loan from any legally available revenues on any date on or after the tenth anniversary of the Closing Date upon payment to the Bank of the principal amount so prepaid, accrued interest thereon to the prepayment date, without prepayment fee or penalty. The 2022 Loan is not subject to acceleration.

The principal of and interest on the Loan shall be payable solely from and to the extent of the Pledged Revenue, which consists of (a) the Required Mill Levy; (b) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; and (c) any other legally available moneys which the Board determines in its sole discretion to apply as Pledged Revenue. No assets have been pledged as collateral on the 2022 Loan.

Prior to the time when the Debt to Assessed Ratio is 50% or less, the Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient, when combined with moneys held in the Loan Payment Fund, to pay the annual debt requirements for the next fiscal year, but not in excess of 50 mills (subject to adjustment). Events of default occur if the District fails to impose the Required Mill Levy, or to apply the Pledged Revenue as required by the Loan Agreement and does not comply with other customary terms and conditions consistent with normal municipal financial as described in the Loan Agreement.

<u>Year Ending December 31,</u>	Senior Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 130,000	\$ 598,613	\$ 728,613
2024	185,000	593,119	778,119
2025	195,000	585,301	780,301
2026	215,000	577,060	792,060
2027	225,000	567,974	792,974
2028-2032	1,415,000	2,681,187	4,096,187
2033-2037	1,940,000	2,339,515	4,279,515
2038-2042	2,575,000	1,876,979	4,451,979
2043-2047	3,225,000	1,363,275	4,588,275
2048-2052	4,060,000	564,525	4,624,525
Total	<u>\$ 14,165,000</u>	<u>\$ 11,747,548</u>	<u>\$ 25,912,548</u>

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$9,740,000 Series 2017A General Obligation Refunding and Improvement Senior Bonds**

On May 4, 2017, the District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Senior Bonds (Senior Bonds) in the amount of \$9,740,000. Proceeds from the sale of the Senior Bonds were used for the purposes of: (i) reimbursing a portion of the costs of acquiring, constructing, and installing certain public improvements; (ii) refunding the District's outstanding General Obligation Subordinate Promissory Note, Series 2011A; (iii) providing an initial deposit to the Surplus Fund; (iv) providing capitalized interest; and (v) paying the costs of issuing the Senior Bonds. The Senior Bonds bear interest at a rate of 5.750% per annum, with interest payable on June 1 and December 1, and principal payable on December 1. The Senior 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, on December 1, 2022, and on any date thereafter, upon payment of par and accrued interest. The Senior Bonds are also subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2022, and each December 1 thereafter.

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2022 to November 30, 2023	3.00 %
December 1, 2023 to November 30, 2024	2.00
December 1, 2024 to November 30, 2025	1.00
December 1, 2025 and Thereafter	-

The Senior Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, 2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 3) any other legally available monies which the District determines to be treated as Pledged Revenue. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Senior Bonds as the same become due/payable. The District must levy 50.000 mills, as adjusted, so long as the amount on deposit in the Surplus Fund is less than the Required Surplus Fund amount of \$1,948,000. The balance in the Surplus Fund as of December 31, 2022 was \$-0-.

The Senior Bonds mature on December 1, 2047. In the event that any amount of principal and interest on the Senior Bonds remains unpaid on December 1, 2057, the Senior Bonds are to be discharged. The 2017A Bonds were redeemed on December 1, 2022.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$1,288,000 Series 2017B General Obligation Subordinate Bonds**

On May 4, 2017, the District issued Subordinate Limited Tax General Obligation Bonds (Subordinate Bonds) in the amount of \$1,288,000. The proceeds from the sale of the Subordinate Bonds were used for the purposes of reimbursing the construction costs of public infrastructure improvements benefitting the District, and paying costs of issuance of the Subordinate Bonds. Interest on the Subordinate Bonds is at a rate of 7.750% per annum is payable annually on December 15, beginning on December 15, 2017. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds are subject to optional redemption prior to maturity as described in the Subordinate Indenture.

The Subordinate Bonds are secured by and payable solely from Pledged Revenue defined in the Subordinate Indenture as the moneys derived by the District, net of any costs of collection, from: (i) property taxes derived from the Required Subordinate Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Subordinate Mill Levy; and (iii) revenue, if any, available for the Subordinate Bonds after all amounts required by the Senior Indenture are applied by the trustee for Senior Bonds. Pledged Revenue for the Subordinate Bonds is subordinate to the revenue pledged to the Senior Bonds. While the Senior Bonds are secured by a Senior Reserve Fund and a Senior Surplus Fund, there is no reserve fund or surplus fund which secures the Subordinate Bonds. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. The Subordinate Bonds mature on December 15, 2047. In the event that any amount of principal and interest on the Subordinate Bonds remains unpaid on December 15, 2057, the Subordinate Bonds are to be discharged. The 2017B Bonds were redeemed on December 15, 2022.

**\$1,865,000 Series 2017C Junior Lien General Obligation Bonds**

On August 2, 2017, the District issued Junior Lien Limited Tax General Obligation Bonds (Junior Lien Bonds) in the amount of \$1,865,000. The proceeds from the sale of the Junior Lien Bonds were used for the purposes of reimbursing the construction costs of public infrastructure improvements benefitting the District, and paying costs of issuance of the Junior Lien Bonds. Interest on the Junior Lien Bonds is at a rate of 9.000% per annum is payable annually on December 15, beginning on December 15, 2017. Unpaid interest on the Junior Lien Bonds compounds annually on each December 15. The Junior Lien Bonds are subject to optional redemption prior to maturity as described in the Junior Lien Indenture.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**\$1,865,000 Series 2017C Junior Lien General Obligation Bonds (Continued)**

The Junior Lien Bonds are secured by and payable solely from Pledged Revenue defined in the Junior Lien Indenture as the moneys derived by the District, net of any costs of collection, from: (i) property taxes derived from the Junior Lien Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Junior Lien Required Mill Levy; and (iii) revenue, if any, available for the Junior Lien Bonds after all amounts required by the Senior and Subordinate Indentures are applied by the Trustee for Senior and Subordinate Bonds. Pledged Revenue for the Junior Lien Bonds is subordinate to the revenue pledged to the Senior and Subordinate Bonds. While the Senior Bonds are secured by a Senior Reserve Fund and a Senior Surplus Fund, there is no reserve fund or surplus fund which secures the Junior Lien Bonds. The Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal prior to the final maturity date. The Junior Lien Bonds mature on December 15, 2047. In the event that any amount of principal and interest on the Junior Lien Bonds remains unpaid on December 15, 2057, the Junior Lien Bonds are to be discharged. The 2017C Bonds were redeemed on December 15, 2022.

**Debt Authorization**

On November 6, 2007 and November 4, 2014, the District's voters authorized total indebtedness of \$133,000,000 and \$140,000,000, respectively. Pursuant to the Service Plan, the total debt that the District shall be permitted to issue shall not exceed \$20,000,000. Additionally, the maximum debt mill levy is 50.000 mills, as adjusted for changes in the assessment ratio, which has been adjusted to 55.664 mills, which shall not be imposed for longer than 40 years from the first year the debt service mill levy is imposed. The final year to impose a debt service mill levy is 2057.

The District shall not impose a levy for repayment of any and all debt (or use the proceeds of any mill levy for repayment of debt) on any single property developed which exceeds 40 years after the year of the initial imposition of such mill levy unless a majority of the Board are residents of the District and have voted in favor of a refunding of part or all of the debt and such refunding will result in a net present value savings as set forth in Section 110-56-101, C.R.S., et seq.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization (Continued)**

At December 31, 2022, the District had authorized but unissued general obligation indebtedness in the following amounts for the following purposes:

	Authorized November 6, 2007 Election	Authorized November 4, 2014 Election	Authorization Used Series 2011	Authorization Used Series 2017	Remaining at December 31, 2022
Street Improvements	\$ 9,500,000	\$ 10,000,000	\$ 550,800	\$ 3,062,000	\$ 15,887,200
Parks and Recreation	9,500,000	10,000,000	-	-	19,500,000
Water	9,500,000	10,000,000	-	3,116,200	16,383,800
Sanitation/Storm Sewer	9,500,000	10,000,000	-	6,016,000	13,484,000
Transportation	9,500,000	10,000,000	-	-	19,500,000
Mosquito Control	9,500,000	10,000,000	-	-	19,500,000
Traffic and Safety Protection	9,500,000	10,000,000	-	148,000	19,352,000
Fire Protection	9,500,000	10,000,000	-	-	19,500,000
TV Relay and Translation	9,500,000	10,000,000	-	-	19,500,000
Security	9,500,000	10,000,000	-	-	19,500,000
Operations and Maintenance	9,500,000	10,000,000	-	-	19,500,000
Refunding of Debt	9,500,000	10,000,000	-	550,800	18,949,200
Governmental IGA's	9,500,000	10,000,000	-	-	19,500,000
Private IGA's	9,500,000	10,000,000	-	-	19,500,000
Total	<u>\$ 133,000,000</u>	<u>\$ 140,000,000</u>	<u>\$ 550,800</u>	<u>\$ 12,893,000</u>	<u>259,556,200</u>

**NOTE 6 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position of \$16,400 as of December 31, 2022, for emergencies.

The District has a deficit in unrestricted net position. The deficit at December 31, 2022 was primarily due to interest paid and related costs on long-term debts.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS**

**Operations Funding Agreement**

On October 30, 2013, the Operations Funding Agreement was entered into between the District and TCIRATO, LLC (the Developer). The Agreement provides that the Developer will advance to the District funds required to be paid by the District for the District's permitted purposes. The Developer agrees to loan to the District an amount that does not exceed the aggregate of \$100,000 per annum for five years, up to \$500,000. The interest rate shall be 5% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount. The term for repayment of this obligation shall not extend beyond 40 years from the date of this agreement. On September 9, 2021, a Termination of Operations Funding Agreement was signed, and the District agreed to pay the full amount due of \$43,346. As of December 31, 2022, no amounts are outstanding.

**Lennar Facilities Acquisition Agreement**

On October 21, 2013, the Lennar Facilities Acquisition Agreement (the Lennar Agreement) was entered into between the District and Lennar Colorado, LLC (Lennar), as amended by a First Amendment dated October 30, 2014, and as amended by a Second Amendment dated May 2, 2017. Lennar has incurred certain costs related to the Public Improvements for the benefit of the District, and expects to incur additional costs on the condition that the District agrees to reimburse Lennar for such costs, constituting Repayment Obligations. Repayment Obligation shall bear simple interest at a rate of 5% per annum from the date any such Repayment Obligation is incurred to the earlier of the date a Reimbursement Obligation is issued, or the date of payment of such amount in full. The District is not required to make any payments to Lennar unless and until the District issues bonds in an amount sufficient to acquire all or a portion of the completed Public Improvements. The District's obligations under the Lennar Agreement are subordinate to the Senior Bonds.

On August 29, 2022 an Agreement in the Nature of an Accord Concerning Developer Advance Agreements was signed, memorializing termination of the developer advance agreements and waiver of the district obligations.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS (CONTINUED)**

**Subordinate Facilities Acquisition Agreement**

The District and the Developer entered into a Subordinate Facilities Acquisition Agreement on October 2013, as amended by a First Amendment thereto dated as of May 2, 2017. Pursuant to the Subordinate Facilities Acquisition Agreement, the Developer agreed to design, construct, and complete and/or cause the design, construction, and completion of certain Public Improvements to serve the development within the District. In exchange, the District agreed to acquire such Public Improvements and to reimburse the Developer for the costs of such Public Improvements at the rate of 5% per annum. The District's obligations under the Subordinate Facilities Acquisition Agreement are subordinate to the Lennar Agreement and any other bonds issued by the District. No payments are to be made to the Developer until all obligations to reimburse Lennar under the Lennar Agreement have been satisfied in full. In the event that the District has not paid the Developer for any Verified Reimbursement Amount by December 31, 2043, any amount of principal and accrued interest outstanding on such date is to be deemed forever discharged and satisfied in full.

On August 29, 2022 an Agreement in the Nature of an Accord Concerning Developer Advance Agreements was signed, memorializing termination of the developer advance agreements and waiver of the district obligations.

**NOTE 8 TRANSFERS**

The District transferred \$130,000 from the General Fund to Special Revenue Fund to support the ongoing maintenance of District facilities.

**NOTE 9 RELATED PARTIES**

The Developer of the property which constitutes the District is TCIRATO, LLC. Certain members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. As of June 2022, there were no remaining members of the Board of Directors associated with the Developer.

The Homebuilder of the project is Lennar Colorado, LLC. Certain members of the Board of Directors are employees, owners, or otherwise associated with the Homebuilder, and may have conflicts of interest in dealing with the District. As of July 2022, there were no remaining members of the Board of Directors associated with the Homebuilder.

**ORCHARD FARMS METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

**NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

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

On November 6, 2007 and November 4, 2014, the District's voters approved for an annual increase in taxes of \$500,000 and \$5,000,000, respectively, for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.



## **SUPPLEMENTARY INFORMATION**

**ORCHARD FARMS METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 795,017	\$ 795,017	\$ 796,033	\$ 1,016
Specific Ownership Taxes	55,651	41,700	56,700	15,000
Interest Income	1,163	2,800	11,255	8,455
Total Revenues	<u>851,831</u>	<u>839,517</u>	<u>863,988</u>	<u>24,471</u>
<b>EXPENDITURES</b>				
Bond Principal - 2017A Bonds	30,000	10,031,300	-	10,031,300
Bond Principal - 2017B Bonds	-	1,863,645	-	1,863,645
Bond Principal - 2017C Bonds	-	2,786,964	-	2,786,964
Cost of Issuance	-	388,875	383,650	5,225
County Treasurer's Fees	11,930	11,930	11,946	(16)
Interest - Series 2017A Bonds	560,050	576,585	280,025	296,560
Interest - Series 2017B Bonds	-	124,519	563,704	(439,185)
Interest - Series 2017C Bonds	-	214,905	913,069	(698,164)
Loan Interest - Series 2022	-	-	127,846	(127,846)
Loan Principal - Series 2022	-	-	165,000	(165,000)
Miscellaneous	-	57	729	(672)
Paying Agent Fees	7,500	7,500	5,500	2,000
Contingency	520	574,769	-	574,769
Total Expenditures	<u>610,000</u>	<u>16,581,049</u>	<u>2,451,469</u>	<u>14,129,580</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	241,831	(15,741,532)	(1,587,481)	14,154,051
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Issuance	-	14,700,000	14,330,000	(370,000)
2017 Refunding Escrow	-	-	(13,742,631)	(13,742,631)
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,700,000</u>	<u>587,369</u>	<u>(14,112,631)</u>
<b>NET CHANGE IN FUND BALANCE</b>	241,831	(1,041,532)	(1,000,112)	41,420
Fund Balance - Beginning of Year	<u>1,041,345</u>	<u>1,041,532</u>	<u>1,041,532</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,283,176</u>	<u>\$ -</u>	<u>\$ 41,420</u>	<u>\$ 41,420</u>

## **OTHER INFORMATION**

**ORCHARD FARMS METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2022**

\$14,330,000 Tax - Exempt Refunding Loan, Series 2022  
Issue date September 16, 2022  
Principal Due Annually December 1  
Interest at 4.226%  
Due June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 130,000	\$ 598,613	\$ 728,613
2024	185,000	593,119	778,119
2025	195,000	585,301	780,301
2026	215,000	577,060	792,060
2027	225,000	567,974	792,974
2028	245,000	558,466	803,466
2029	260,000	548,112	808,112
2030	285,000	537,125	822,125
2031	300,000	525,081	825,081
2032	325,000	512,403	837,403
2033	340,000	498,668	838,668
2034	365,000	484,300	849,300
2035	385,000	468,875	853,875
2036	415,000	452,605	867,605
2037	435,000	435,067	870,067
2038	465,000	416,684	881,684
2039	485,000	397,033	882,033
2040	515,000	376,537	891,537
2041	540,000	354,773	894,773
2042	570,000	331,952	901,952
2043	580,000	327,825	907,825
2044	615,000	301,725	916,725
2045	645,000	274,050	919,050
2046	675,000	245,025	920,025
2047	710,000	214,650	924,650
2048	740,000	182,700	922,700
2049	775,000	149,400	924,400
2050	810,000	114,525	924,525
2051	850,000	78,075	928,075
2052	885,000	39,825	924,825
Total	<u>\$ 14,165,000</u>	<u>\$ 11,747,548</u>	<u>\$ 25,912,548</u>

**ORCHARD FARMS METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
		2018	\$ 2,727,320	18.000	55.277	
2019	5,264,340	18.000	55.277	385,755	385,540	99.94
2020	8,885,760	18.000	55.664	654,561	654,186	99.94
2021	11,097,390	18.000	55.664	817,478	815,313	99.74
2022	14,282,420	18.000	55.664	1,052,101	1,053,446	100.13
Estimated for the Year Ending December 31, 2023	\$ 15,334,050	18.467	45.815	\$ 985,703		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.