

Tree Farm Metropolitan District

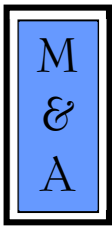
Financial Statements

December 31, 2021

**Tree Farm Metropolitan District
Financial Statements
December 31, 2021**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Tree Farm Metropolitan District**

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Tree Farm Metropolitan District (the "District"), as of and for the year ended December 31, 2021, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

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 Tree Farm Metropolitan District, as of December 31, 2021 and the respective changes in financial position thereof 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

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

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

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Tree Farm Metropolitan District**

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.

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 opinion on the basic financial statements is not affected by this missing information.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Tree Farm Metropolitan District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund budgetary comparisons schedules in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. The items found in section F are 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
July 27, 2022**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Tree Farm Metropolitan District
Statement of Net Position
December 31, 2021

Assets:

Cash and investments - Unrestricted	48,043
Cash and investments - Restricted	8,467,853
Due from other governments	89
Property taxes receivable	201,841
Prepaid expenses	2,056
Capital assets, net	<u>9,062,569</u>
Total Assets	<u><u>17,782,451</u></u>

Liabilities:

Current liabilities due in less than one year:	
Accounts payable	18,671
Accrued interest	1,027,798
Non-current liabilities due in excess of one year:	
Bonds payable	18,230,000
Developer advances payable	<u>94,000</u>
Total Liabilities	<u><u>19,370,469</u></u>

Deferred Inflow of Resources:

Unavailable property tax revenue	201,841
Total Deferred Inflow of Resources	<u><u>201,841</u></u>

Net Position (Deficit):

Net investment in capital assets	(699,578)
Restricted for debt service	2,795,748
Restricted for emergencies	1,400
Unrestricted	<u>(3,887,429)</u>
Total Net Position (Deficit)	<u><u>(1,789,859)</u></u>

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

FUND FINANCIAL STATEMENTS

**Tree Farm Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2021**

	General Fund	Operations Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and investments - Unrestricted	43,268	4,775	-	-	48,043
Cash and investments - Restricted			5,672,105	2,795,748	8,467,853
Accounts receivable	-	-	-	-	-
Due from other governments	89	-	-	-	89
Property taxes receivable	44,854	-	-	156,987	201,841
Prepaid expenses	2,056	-	-	-	2,056
Total Assets	<u>90,267</u>	<u>4,775</u>	<u>5,672,105</u>	<u>2,952,735</u>	<u>8,719,882</u>
Liabilities:					
Accounts payable	18,671	-	-	-	18,671
Total Liabilities	<u>18,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,671</u>
Deferred Inflow of Resources:					
Unavailable property tax revenue	44,854	-	-	156,987	201,841
Total Deferred Inflow of Resources	<u>44,854</u>	<u>-</u>	<u>-</u>	<u>156,987</u>	<u>201,841</u>
Fund Balances:					
Nonspendable	2,056	-	-	-	2,056
Restricted for debt service	-	-	-	2,795,748	2,795,748
Restricted for capital projects	-	-	5,672,105	-	5,672,105
Restricted for emergencies	1,400	-	-	-	1,400
Assigned for future operations	-	4,775	-	-	4,775
Unassigned	23,286	-	-	-	23,286
Total Fund Balances	<u>26,742</u>	<u>4,775</u>	<u>5,672,105</u>	<u>2,795,748</u>	<u>8,499,370</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u><u>90,267</u></u>	<u><u>4,775</u></u>	<u><u>5,672,105</u></u>	<u><u>2,952,735</u></u>	<u><u>8,719,882</u></u>

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

**Tree Farm Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021**

Governmental Funds Total Fund Balance	8,499,370
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Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds.

Details of these amounts are as follows:

Capital assets	<u>9,062,569</u>	9,062,569
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

This is the amount of District long-term liabilities. Details of these amounts are as follows:

Bonds payable	(18,230,000)	
Developer advances payable	(94,000)	
Accrued interest payable	<u>(1,027,798)</u>	
		<u>(19,351,798)</u>

Net Position of Governmental Activities	<u><u>(1,789,859)</u></u>
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Tree Farm Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Operations Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues:					
Property taxes	24,688	-	-	-	24,688
Specific ownership taxes	1,350	-	-	-	1,350
Interest	-	-	336	166	502
Total Revenues	<u>26,038</u>	<u>-</u>	<u>336</u>	<u>166</u>	<u>26,540</u>
Expenditures:					
General government:					
Insurance	2,807	-	-	-	2,807
Legal	17,253	-	-	-	17,253
Office overhead	783	-	-	-	783
Management	13,050	-	-	-	13,050
Accounting	12,048	-	2,130	-	14,178
Treasurer Fees	741	-	-	-	741
Operations	-	225	-	-	225
Organizational costs	-	-	26,128	-	26,128
Debt service:					
Developer repayments	-	-	9,165,349	-	9,165,349
Bond issuance costs	-	-	-	559,500	559,500
Capital outlay	-	-	9,062,569	-	9,062,569
Total Expenditures	<u>46,682</u>	<u>225</u>	<u>18,256,176</u>	<u>559,500</u>	<u>18,862,583</u>
Excess (Deficiency) of Revenues over Expenditures	(20,644)	(225)	(18,255,840)	(559,334)	(18,836,043)
Other Financial Sources (Uses):					
Bond Proceeds	-	-	-	18,230,000	18,230,000
Developer advances	40,000	5,000	9,044,164	-	9,089,164
Transfers in	-	-	14,883,781	-	14,883,781
Transfers out	-	-	-	(14,883,781)	(14,883,781)
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>5,000</u>	<u>23,927,945</u>	<u>3,346,219</u>	<u>27,319,164</u>
Net Change in Fund Balances	19,356	4,775	5,672,105	2,786,885	8,483,121
Fund Balances - Beginning	7,386	-	-	8,863	16,249
Fund Balances - Ending	<u>26,742</u>	<u>4,775</u>	<u>5,672,105</u>	<u>2,795,748</u>	<u>8,499,370</u>

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

Tree Farm Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2021

Net change in fund balances for total governmental funds 8,483,121

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital additions	9,062,569	9,062,569
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The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments - Developer advances	9,165,349	
Bond proceeds	(18,230,000)	
Developer advances	(9,089,164)	(18,153,815)

The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (1,018,887)

Change in Net Position of Governmental Activities (1,627,012)

NOTES TO THE FINANCIAL STATEMENTS

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021**

I. Summary of Significant Accounting Policies

Tree Farm Metropolitan District (the “District”) was organized on October 4, 2018 as a quasi-municipal corporation and is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in Eagle County, Colorado. The District was established to provide non potable irrigation water, storm sewer services, street improvements, traffic safety protection, television services, mosquito control, covenant enforcement, design review services, and security services. Fire protection services are provided by Basalt and Rural Fire District. Water and sanitation services are provided by Mid Valley Metropolitan District. The District has no employees and all operations and administrative functions are contracted.

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District’s net position resulting from the current year’s activities.

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

Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

The *Operations Special Revenue Fund* accounts for the resources accumulated from excess public improvement fees and solar production for operation costs.

The *Capital Projects Fund* accounts for the resources accumulated and restricted for acquisition and construction of major capital facilities and related projects.

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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2021.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability, including developer advances payable.

5. Capital Assets

Capital assets, which include land, water rights, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Capital Assets (continued)

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Roads and landscaping	20-40
Parking lot improvements	15-40
Equipment and vehicles	5-10

6. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In 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. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2021:

- (1) For the 2021 budget year, prior to August 25, 2020, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2020, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2020, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (3) A public hearing on the proposed budget and capital program was held by the Board to obtain taxpayer comments.
- (4) For the 2021 budget, prior to December 15, 2020, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2021 budget, the final budget and appropriating resolution was adopted prior to December 31, 2020.

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 in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2020 were collected in 2021 and taxes certified in 2021 will be collected in 2022. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

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

B. TABOR 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. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$1,400, which is the approximate required reserve, at December 31, 2021.

On November 6, 2018, the voters authorized the District to collect, retain, and spend all revenue and other funds collected in 2018 and any year thereafter without regard to any limitations under TABOR. The District's management believes it is in compliance with the financial provisions of TABOR.

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)**

II. Stewardship, Compliance, and Accountability (continued)

C. Gallagher Amendment

The Gallagher Amendment requires 45% of property tax collected to come from residential property, and 55% to come from commercial property. Further, the Amendment requires that the commercial assessment rate applied to actual values be fixed at 29% with the residential assessment rate (“RAR”) to be adjusted to hold the 45/55 split constant. Because of the increase in residential property values, the RAR has historically trended downward, which, in combination with TABOR’s set mill levy rate, may limit the amount of property taxes the District can generate annually.

In November 2020, Colorado voters repealed the Gallagher Amendment.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District’s deposits are entirely covered by federal depository insurance (“FDIC”) or by collateral held under Colorado’s Public Deposit Protection Act (“PDPA”). The FDIC insures the first \$250,000 of the District’s deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District’s demand deposits was \$51,801 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District’s general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)**

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	51,801	51,801	-
<i>Investments:</i>				
Investment pool	AAAm	8,464,095	8,464,095	-
		<u>8,515,896</u>	<u>8,515,896</u>	<u>-</u>

At December 31, 2021, the District had the following recurring fair value measurements.

Investments Measured at Net Asset Value	Total
Colotrust	8,464,095
	<u>8,464,095</u>

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2021, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)**

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

The District had invested \$8,464,095 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

At December 31, 2021, the District had the following restricted cash:

Bond Reserve Funds	2,795,748
Unspent Bond Proceeds	5,672,105
	8,467,853

B. Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable assets:				
Land and easements	-	2,289,200	-	2,289,200
Construction in progress	-	6,773,369	-	6,773,369
Total capital assets	-	9,062,569	-	9,062,569

C. Long-term Debt

1. General Obligation Limited Tax Bonds, Series 2021

\$18,230,000 in General Obligation Limited Tax Bonds, Series 2021, were issued on November 4, 2021, with interest of 4.5% to 4.75% payable semiannually on June 1 and December 1 of each year. The bonds maturing on or after December 1, 2021, are subject to redemption prior to maturity at the option of the District, in whole or in part, in any order determined by the District and by lot within maturity, at any time on and after December 1, 2026, at a redemption price equal to 100% of the principal amount to be redeemed, without premium, plus interest accrued at the date of redemption.

The bonds were issued for the purpose of paying project costs related to street improvements, traffic safety, parks and recreation, sanitation and public transportation.

The District debt service mill levy rate is 35.000 mills, or such lesser amount as may be allowed, for general obligation debt service through 2050. The maximum mill levy is 35.000 mills, subject to adjustments discussed in note II.C.

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)**

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

1. General Obligation Limited Tax Bonds, Series 2021

In addition to the property tax revenue available for debt service costs, the District will impose a Public Improvement Fee ("PIF"). All sales transactions are subject to a 3% PIF (the "Sales PIF") and all lodging transactions are subject to an additional 4% PIF (the "Lodging PIF") as well as a supplemental 1% PIF (the "Lodging Supplemental PIF").

For the first fifteen years after the hotel and lodge are constructed, the Supplemental Lodging PIF is the property of the developer. After the fifteen year period, the Supplemental Lodging PIF becomes the property of the District for repayment of the bonds.

PIF revenues are subject to a cap of 50% of the debt service costs during the year, however, excess PIF can be used to fill the surplus fund to the maximum balance of \$1,000,000. The excess PIF is then allocated to the operations fund for operations, maintenance, repair and replacement of public improvements. At December 31, 2021 the surplus fund balance was \$0.

2. Developer Advances

The Developer has advanced operating and capital funds to the District to be repaid when the District has available resources. The advances carry a 7% interest rate, per annum. There is no fixed amortization schedule for the developer redemption; therefore, no it is not included in the following amortization schedule.

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

	Principal	Interest	Total
2022	-	917,432	917,432
2023	-	853,425	853,425
2024	205,000	853,425	1,058,425
2025	240,000	844,200	1,084,200
2026	265,000	833,400	1,098,400
2027 - 2031	1,680,000	3,967,650	5,647,650
2032 - 2036	2,390,000	3,526,063	5,916,063
2037 - 2041	3,540,000	2,875,375	6,415,375
2042 - 2046	4,855,000	1,918,763	6,773,763
2047 - 2051	5,055,000	618,450	5,673,450
Total	<u>18,230,000</u>	<u>17,208,183</u>	<u>35,438,183</u>

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)**

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

The District had the following changes in debt for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
G.O. Bonds, Series 2021	-	18,230,000	-	18,230,000	-
Developer Advances:					
General	47,493	40,000	-	87,493	-
Operations	-	5,000	-	5,000	-
Capital	122,692	9,044,164	(9,165,349)	1,507	-
	<u>170,185</u>	<u>27,319,164</u>	<u>(9,165,349)</u>	<u>18,324,000</u>	<u>-</u>

The District is compliant in the ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commissions' rule 15c2-12.

D. Interfund Transfers

During the year ended December 31, 2021 the District made the following transfers:

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Purpose</u>
Transfer in	14,883,781	-	Transfer of capital project
Transfer (out)	-	(14,883,781)	portion of bond proceeds

IV. Other Information

A. Risk Management

The District is exposed to various risks of loss related to workers' compensation, general liability, and worker unemployment. The District has acquired commercial coverage for these risks. Any settled claims are not expected to exceed the commercial insurance coverage. The District is also exposed to the risks of loss related to torts, theft of, damage to, and destruction of assets, and errors or omissions.

B. Related Parties and Economic Dependency

The Developer's representatives make up the majority of the members of the Board of Directors. The Developer operating and capital advances through December 31, 2021 aggregated \$9,259,349. The District has repaid the Developer \$9,165,349 and has an outstanding balance of \$94,000 owed to the developer, plus accrued interest of \$892,672.

A member of the Board of Directors is the owner of the District's management company, Geronimo Ventures, LLC. For 2021, payments under this agreement totaled \$13,050.

**Tree Farm Metropolitan District
Notes to the Financial Statements
December 31, 2021
(Continued)**

V. Operations Agreement

On January 1, 2020 the District entered into an agreement with Geronimo Ventures LLC (the "Manager") for Management Services. Under this agreement, the manager appoints and oversees the use of consultants and contractors for district operations, administration, maintenance and construction. The agreement will remain in place unless it is terminated by either party. The agreement provides for quarterly compensation as mutually agreed to by both parties. For 2021, payments under this agreement totaled \$13,050.

VI. Authorized Debt

At December 31, 2021, the District has authorized but unissued debt for the following purposes:

<u>Purpose</u>	<u>Original Authorization</u>	<u>Remaining Authorization</u>
Water	30,000,000	30,000,000
Street	30,000,000	21,547,556
Traffic safety	30,000,000	29,018,340
Park and recreation	30,000,000	22,412,252
Sanitation	30,000,000	28,896,568
Mosquito control	30,000,000	30,000,000
Public transportation	30,000,000	29,895,284
Fire prevention	30,000,000	30,000,000
Television relay	30,000,000	30,000,000
Security	30,000,000	30,000,000
Refunding	60,000,000	60,000,000
Reimbursement agreements	30,000,000	30,000,000
	<u>390,000,000</u>	<u>371,770,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2021

	2021			Final Budget Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property taxes	24,688	24,688	24,688	-
Specific ownership taxes	1,235	1,235	1,350	115
Total Revenues	<u>25,923</u>	<u>25,923</u>	<u>26,038</u>	<u>115</u>
Expenditures:				
General government:				
Insurance	3,000	3,000	2,807	193
Legal	25,000	25,000	17,253	7,747
Office overhead	1,000	1,000	783	217
Management	13,000	13,000	13,050	(50)
Accounting	25,000	25,000	12,048	12,952
Contingency	35,000	35,000	-	35,000
Treasurer Fees	741	741	741	-
Operations	106,068	106,068	-	106,068
Total Expenditures	<u>208,809</u>	<u>208,809</u>	<u>46,682</u>	<u>162,127</u>
Other Financing Sources (Uses):				
Developer advances	187,000	187,000	40,000	(147,000)
Total Other Financing Sources (Uses)	<u>187,000</u>	<u>187,000</u>	<u>40,000</u>	<u>(147,000)</u>
Net Change in Fund Balance	4,114	4,114	19,356	15,242
Fund Balance - Beginning	<u>5,474</u>	<u>5,474</u>	<u>7,386</u>	<u>1,912</u>
Fund Balance - Ending	<u><u>9,588</u></u>	<u><u>9,588</u></u>	<u><u>26,742</u></u>	<u><u>17,154</u></u>

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Operations Special Revenue Fund
For the Year Ended December 31, 2021

	2021			Final Budget Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property taxes	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
General government:				
Contingency	-	50,000	-	50,000
Operations	-	-	225	(225)
Total Expenditures	-	50,000	225	49,775
Other Financing Sources (Uses):				
Developer advances	-	50,000	5,000	(45,000)
Total Other Financing Sources (Uses)	-	50,000	5,000	(45,000)
Net Change in Fund Balance	-	-	4,775	4,775
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	-	-	4,775	4,775

SUPPLEMENTARY INFORMATION

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Capital Projects Fund
For the Year Ended December 31, 2021

	2021			Final Budget Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Interest	-	-	336	336
Total Revenues	<u>-</u>	<u>-</u>	<u>336</u>	<u>336</u>
Expenditures:				
General government:				
Accounting	-	-	2,130	(2,130)
Contingency	500,000	500,000	-	500,000
Organizational costs	189,184	189,184	26,128	163,056
Debt service:				
Developer repayments	-	15,000,000	9,165,349	5,834,651
Capital Outlay	<u>17,818,242</u>	<u>17,818,242</u>	<u>9,062,569</u>	<u>8,755,673</u>
Total Expenditures	<u>18,507,426</u>	<u>33,507,426</u>	<u>18,256,176</u>	<u>15,251,250</u>
Other Financing Sources (Uses):				
Developer advances	18,507,426	18,507,426	9,044,164	(9,463,262)
Transfers in	-	15,000,000	14,883,781	(116,219)
Total Other Financing (Uses)	<u>18,507,426</u>	<u>33,507,426</u>	<u>23,927,945</u>	<u>(9,579,481)</u>
Net Change in Fund Balance	-	-	5,672,105	5,672,105
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>-</u>	<u>-</u>	<u>5,672,105</u>	<u>5,672,105</u>

Tree Farm Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - Debt Service Fund
For the Year Ended December 31, 2021

	2021			Final Budget Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Interest	6,722	-	166	166
Total Revenues	<u>6,722</u>	<u>-</u>	<u>166</u>	<u>166</u>
Expenditures:				
Debt service:				
Developer repayments	14,297,152	-	-	-
Bond interest	323,308	-	-	-
Paying agent fees	2,500	2,500	-	2,500
Bond issuance costs	472,700	600,000	559,500	40,500
Total Expenditures	<u>15,095,660</u>	<u>602,500</u>	<u>559,500</u>	<u>43,000</u>
Other Financing Sources (Uses):				
Bond Proceeds	17,635,000	18,230,000	18,230,000	-
Transfers out	-	(15,000,000)	(14,883,781)	116,219
Total Other Financing (Uses)	<u>17,635,000</u>	<u>3,230,000</u>	<u>3,346,219</u>	<u>116,219</u>
Net Change in Fund Balance	2,546,062	2,627,500	2,786,885	159,385
Fund Balance - Beginning	<u>8,871</u>	<u>8,871</u>	<u>8,863</u>	<u>(8)</u>
Fund Balance - Ending	<u><u>2,554,933</u></u>	<u><u>2,636,371</u></u>	<u><u>2,795,748</u></u>	<u><u>159,377</u></u>