

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**Jefferson County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Richards Farm Metropolitan District No. 2  
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Richards Farm Metropolitan District No. 2 as of and for the year December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## Opinions

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 the Richards Farm Metropolitan District No. 2, as of December 31, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richards Farm Metropolitan District No. 2's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the Debt Service Fund (the Supplementary Information) and the Schedule of Debt Service Requirements to Maturity and the Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Other Information 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 it.

*Dussio & Associates, P.C.*

July 15, 2019

## **BASIC FINANCIAL STATEMENTS**

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 83,654
Cash and Investments - Restricted	369,449
Receivable from County Treasurer	2,400
Property Taxes Receivable	420,261
Prepaid Expenses	5,008
Capital Assets, Not Being Depreciated	3,019,857
Total Assets	3,900,629
<b>LIABILITIES</b>	
Accounts Payable	8,766
Bond Interest Payable	13,417
Noncurrent Liabilities:	
Due Within One Year	2,203
Due in More Than One Year	4,152,734
Total Liabilities	4,177,120
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	420,261
Total Deferred Inflows of Resources	420,261
<b>NET POSITION</b>	
Restricted For:	
Emergency Reserves	4,800
Unrestricted	(701,552)
Total Net Position	\$ (696,752)

See accompanying Notes to Basic Financial Statements.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expense) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
General Government	\$ 101,926	\$ 45,814	\$ 5,400	\$ -	\$ (50,712)
Interest and Related Costs on Long-Term Debt	268,404	-	-	-	(268,404)
Total Governmental Activities	\$ 370,330	\$ 45,814	\$ 5,400	\$ -	(319,116)
<b>GENERAL REVENUES</b>					
Property Taxes					280,810
Specific Ownership Taxes					26,005
Interest Income					5,665
Total General Revenues					312,480
<b>CHANGE IN NET POSITION</b>					(6,636)
Net Position - Beginning of Year					(690,116)
<b>NET POSITION - END OF YEAR</b>					\$ (696,752)

See accompanying Notes to Basic Financial Statements.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 83,654	\$ -	\$ 83,654
Cash and Investments - Restricted	4,800	364,649	369,449
Receivable from County Treasurer	847	1,553	2,400
Property Taxes Receivable	177,408	242,853	420,261
Prepaid Expenses	5,008	-	5,008
	<u>\$ 271,717</u>	<u>\$ 609,055</u>	<u>\$ 880,772</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 8,766	\$ -	\$ 8,766
Total Liabilities	<u>8,766</u>	<u>-</u>	<u>8,766</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax Revenue	177,408	242,853	420,261
Total Deferred Inflows of Resources	<u>177,408</u>	<u>242,853</u>	<u>420,261</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Expense	5,008	-	5,008
Restricted For:			
Emergency Reserves	4,800	-	4,800
Debt Service	-	366,202	366,202
Assigned For:			
Subsequent Years' Expenditures	9,122	-	9,122
Unassigned	66,613	-	66,613
Total Fund Balances	<u>85,543</u>	<u>366,202</u>	<u>451,745</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 271,717</u>	<u>\$ 609,055</u>	

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

Capital assets are reported as assets on the statement of net position but are recorded as expenditures in the funds.

Capital Assets, not Being Depreciated 3,019,857

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable (3,310,000)  
Bond Discount 42,651  
Bond Interest Payable (143,351)  
Developer Advances Payable (611,278)  
Accrued Interest on Developer Advances (146,376)

Net Position of Governmental Activities

\$ (696,752)

See accompanying Notes to Basic Financial Statements.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 99,083	\$ 181,727	\$ 280,810
Specific Ownership Taxes	9,178	16,827	26,005
Interest Income	80	5,585	5,665
Operations Fee	45,814	-	45,814
Builder Contribution	5,400	-	5,400
Total Revenues	159,555	204,139	363,694
<b>EXPENDITURES</b>			
Current:			
Accounting	18,268	-	18,268
Audit	4,700	-	4,700
County Treasurer's Fees	1,487	2,728	4,215
Election	1,600	-	1,600
Facilities Management	18,238	-	18,238
Insurance	4,792	-	4,792
Dues	357	-	357
Landscaping	3,328	-	3,328
Legal	28,069	-	28,069
Miscellaneous	75	-	75
District Management	1,406	-	1,406
Posting, Printing, and Copies	1,232	-	1,232
Transfer Fee	1,800	-	1,800
Trash Removal	16,567	-	16,567
Water and Sewer	7	-	7
Debt Service:			
Paying Agent Fees	-	5,750	5,750
Bond Interest	-	161,000	161,000
Total Expenditures	101,926	169,478	271,404
<b>NET CHANGE IN FUND BALANCES</b>	57,629	34,661	92,290
Fund Balances - Beginning of Year	27,914	331,541	359,455
<b>FUND BALANCES - END OF YEAR</b>	\$ 85,543	\$ 366,202	\$ 451,745

See accompanying Notes to Basic Financial Statements.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 92,290
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.	
Amortization of Bond Discount	(2,203)
Accrued Interest on Developer Advances - Change in Liability	(48,902)
Accrued Interest on Bonds - Change in Liability	<u>(47,821)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (6,636)</u></u>

*See accompanying Notes to Basic Financial Statements.*

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 99,083	\$ 99,083	\$ 99,083	\$ -
Specific Ownership Taxes	7,930	7,930	9,178	1,248
Interest Income	205	205	80	(125)
Operations Fee	49,920	52,000	45,814	(6,186)
Builder Contribution	5,400	5,400	5,400	-
Other Revenue	-	75,000	-	(75,000)
Total Revenues	<u>162,538</u>	<u>239,618</u>	<u>159,555</u>	<u>(80,063)</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	18,000	18,000	18,268	(268)
Audit	4,700	4,700	4,700	-
County Treasurer's Fees	1,486	1,486	1,487	(1)
Election	2,000	2,000	1,600	400
District Management	1,000	1,000	1,406	(406)
Facilities Management	15,700	20,000	18,238	1,762
Dues	330	330	357	(27)
Insurance	5,000	5,000	4,792	208
Irrigation Repairs	2,400	2,000	-	2,000
Landscaping	-	-	3,328	(3,328)
Legal	30,000	30,000	28,069	1,931
Miscellaneous	3,384	3,384	75	3,309
Posting, Printing, and Copies	800	1,000	1,232	(232)
Transfer Fee	-	-	1,800	(1,800)
Gas and Electric	200	1,000	-	1,000
Trash Removal	16,665	20,000	16,567	3,433
Water and Sewer	-	-	7	(7)
Tract Conveyance	1,200	1,200	-	1,200
Community Activities	1,000	1,000	-	1,000
Contingency	7,035	80,800	-	80,800
Total Expenditures	<u>110,900</u>	<u>192,900</u>	<u>101,926</u>	<u>90,974</u>
<b>NET CHANGE IN FUND BALANCE</b>	51,638	46,718	57,629	10,911
Fund Balance - Beginning of Year	<u>12,542</u>	<u>31,981</u>	<u>27,914</u>	<u>(4,067)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 64,180</u>	<u>\$ 78,699</u>	<u>\$ 85,543</u>	<u>\$ 6,844</u>

See accompanying Notes to Basic Financial Statements.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Richards Farm Metropolitan District No. 2 (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 Jefferson, Colorado on September 3, 2015, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's Service Plan was approved by the City of Arvada, Colorado (the City) and the District is located within the boundaries of the City.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, relocation, redevelopment, and completion of public improvements, covenant enforcement services, and planning services, including water, sanitation, street, safety protection, park and recreation, transportation, limited fire protection, security, limited television relay and translation, and mosquito control. The District shall not be authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection services or television relay and translation services unless provided for pursuant to an intergovernmental agreement with the City.

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

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

**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 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.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 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 instead as general revenues.

Separate financial statements are provided for 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is 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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Budgets**

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of 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 total 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 budget during the year ended December 31, 2018.

**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.

**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 unearned property tax revenues are recorded as revenue in the year they are available or collected.

**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 component of the District's net position.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Operations Fees**

The District charges a monthly operations fee to homeowners to cover costs related to district management and maintenance of district property and facilities.

**Amortization**

**Original Issue Discount/Premium**

In the government-wide financial statements, bond discounts and premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

*Net Investment in Capital Assets* – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in this component.

*Restricted* – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors, or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.

*Unrestricted* – the component of net position that does not meet the definitions above.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018**

**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, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 83,654
Cash and Investments - Restricted	369,449
Total Cash and Investments	\$ 453,103

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$	116,450
Investments		336,653
Total Cash and Investments		453,103

**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, 2018, the Districts bank balance was \$127,050 and carrying balance was \$116,450.

**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.

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

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Investments (Continued)**

- . 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, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 336,653</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 is 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, and highest rated commercial paper. 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 is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	<u>Balance - December 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance - December 31, 2018</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 3,019,857	\$ -	\$ -	\$ 3,019,857
Total Capital Assets, Not Being Depreciated	<u>\$ 3,019,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,019,857</u>

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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, 2018:

	Balance at December 31, 2017	Additions	Retirement of Long-Term Obligations	Balance at December 31, 2018	Due Within One Year
G.O. Bonds - Series 2015A	\$ 2,800,000	\$ -	\$ -	\$ 2,800,000	\$ -
G.O. Bonds - Series 2015B	510,000	-	-	510,000	-
Bond Discount	(44,854)	-	2,203	(42,651)	2,203
Developer Advances - Operations	42,095	-	-	42,095	-
Developer Advances - Capital	569,183	-	-	569,183	-
Accrued Interest:					
G.O. Bonds - Series 2015B	82,113	47,821	-	129,934	-
Developer Advances - Operations	4,533	3,367	-	7,900	-
Developer Advances - Capital	92,941	45,535	-	138,476	-
Total	<u>\$ 4,056,011</u>	<u>\$ 96,723</u>	<u>\$ 2,203</u>	<u>\$ 4,154,937</u>	<u>\$ 2,203</u>

**Series 2015A and Series 2015B General Obligation Bonds**

On December 16, 2015, the District issued \$2,800,000 in General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds (Series 2015A) and \$510,000 in Subordinate Limited Tax General Obligation Bonds (Series 2015B) The proceeds from the sale of the Bonds were used for the purposes of: (i) paying or reimbursing the costs of capital infrastructure improvements; (ii) paying capitalized interest for the 2015A Bonds; (iii) funding a Reserve Fund securing the 2015A Bonds; and, (iv) paying costs of issuance of the 2015A Bonds.

The 2015A Bonds bear interest at 5.75%, payable semi-annually on June 1 and December 1, beginning on June 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2020. Unpaid interest on the 2015A Bonds compounds semiannually on each June 1 and December 1. The 2015A Bonds mature on December 1, 2045, and are subject to optional redemption as described in the 2015A indenture.

Interest on the 2015B Bonds at the rate of 7.75% per annum is payable annually from 2015B Pledged Revenue on December 15, beginning on December 15, 2016. Unpaid interest on the 2015B Bonds compounds annually on each December 15. The 2015B Bonds are subject to optional redemption prior to maturity as described in the 2015B Indenture.

The 2015A Bonds are secured by and payable solely from 2015A Pledged Revenue, which includes property taxes derived from the 2015A Required Mill Levy net of the cost of collection and allowance for uncollectible accounts, Specific Ownership Taxes attributable to the 2015A Required Mill Levy, 40.000 mills as adjusted, and any other legally available moneys of the District which the District deposits with the Trustee for application as 2015A Pledged Revenue. The 2015A Required Mill Levy as adjusted for collection year 2018 was 44.222 mills. The 2015A Bonds are also secured by amounts held in the 2015A Reserve Fund, which is to be funded upon issuance of the 2015A Bonds in the amount of the Required Reserve equal to \$237,375, and amounts accumulated in the Surplus Fund, if any. In accordance with the 2015A Indenture, amounts on deposit in the Surplus Fund are to be released to the District when the Total Debt to Assessed Value Ratio is equal to or less than 40%. Upon release, amounts on deposit in the Surplus Fund are pledged to the payment of the 2015B Bonds in accordance with the 2015B Indenture.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Series 2015A and Series 2015B General Obligation Bonds (Continued)**

The 2015B Bonds are secured by and payable solely from 2015B Pledged Revenue, which includes property taxes derived from the 2015B Required Mill Levy net of the cost of collection and allowance for uncollectible accounts, Specific Ownership Taxes attributable to the 2015B Required Mill Levy, amounts in the 2015A Surplus Fund upon the termination of such fund pursuant to the terms of the 2015A Indenture, and other legally available moneys of the District which the District deposits with the Trustee for application as 2015B Pledged Revenue. The Bonds are cash flow bonds and paid when the 2015A Required Mill Levy is less than 40.000 mills as adjusted. A debt to maturity schedule is not provided for the 2015B Bonds since they are cash flow bonds and the revenue stream for repayment is not determinable.

The District's 2015A Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 161,000	\$ 161,000
2020	25,000	161,000	186,000
2021	30,000	159,563	189,563
2022	35,000	157,838	192,838
2023	35,000	155,825	190,825
2024-2028	250,000	743,189	993,189
2029-2033	385,000	656,651	1,041,651
2034-2037	575,000	525,263	1,100,263
2038-2042	815,000	333,789	1,148,789
2043-2045	650,000	63,250	713,250
Total	<u>\$ 2,800,000</u>	<u>\$ 3,117,368</u>	<u>\$ 5,917,368</u>

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Authorized Debt**

At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 3, 2015 Election	Series 2015A Authorization Used	Series 2015B Authorization Used	Remaining at December 31, 2018
Streets	\$ 7,000,000	\$ 1,819,300	\$ 331,400	\$ 4,849,300
Parks and Recreation	7,000,000	81,900	14,900	6,903,200
Water	7,000,000	255,300	46,500	6,698,200
Sanitation/Storm Sewer	7,000,000	643,500	117,200	6,239,300
Transportation	7,000,000	-	-	7,000,000
Mosquito Control	7,000,000	-	-	7,000,000
Safety Protection	7,000,000	-	-	7,000,000
Fire Protection	7,000,000	-	-	7,000,000
Television and Relay	7,000,000	-	-	7,000,000
Security	7,000,000	-	-	7,000,000
Intergovernmental Agreements	7,000,000	-	-	7,000,000
Private Agreements	7,000,000	-	-	7,000,000
Refunding	7,000,000	-	-	7,000,000
Operations and Maintenance	7,000,000	-	-	7,000,000
In-District Special Assessment				
Debt	7,000,000	-	-	7,000,000
Total	<u>\$ 105,000,000</u>	<u>\$ 2,800,000</u>	<u>\$ 510,000</u>	<u>\$ 101,690,000</u>

On November 3, 2015, the District's voters authorized total indebtedness of \$105,000,000. Pursuant to the Service Plan, the total debt that the District shall be permitted to issue shall not exceed \$7,000,000. Additionally, the maximum debt mill levy is 40.000 mills as adjusted, which shall not be imposed for longer than 40 years from the first year the debt service mill levy is imposed, unless a refunding of the debt has been voted upon by the Board and a majority of the Board is comprised of residents.

During 2017, the residential assessment rate was changed from 7.96% to 7.20%. The Service Plan limitation of 40.000 mills has been adjusted to 44.222 mills.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 NET POSITION**

The District has net position consisting of two components: restricted and unrestricted. The restricted component of 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 as of December 31, 2018, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 4,800
Total	\$ 4,800

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, which will be conveyed or were conveyed to other governmental entities.

**NOTE 7 AGREEMENTS**

**Reimbursement Agreement**

On November 19, 2015, the District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement (the Reimbursement Agreement). The Reimbursement Agreement provides that the District is to reimburse the Developer for: (1) the costs relating to the formation of the District; (2) costs relating to the installation of public infrastructure within the District, including costs incurred prior to the execution of the Reimbursement Agreement; and (3) Developer advances, subject to certain requirements set forth in the Reimbursement Agreement. The Reimbursement Agreement provides for the structuring and timing of payments from the District to the Developer, and sets forth certain procedures relating to the District's acquisition of and payment for public infrastructure.

The District agrees to repay the Developer on an annual appropriation basis at the rate of 8% per annum on the outstanding reimbursement obligation.

As of December 31, 2018, the outstanding balance was \$569,183 with accrued interest of \$138,476.

**Operations and Maintenance Reimbursement Agreement**

On December 7, 2015, the District and the Developer entered into a Funding and Reimbursement Agreement (Operations and Maintenance) (the O&M Reimbursement Agreement). This agreement states that the District does not presently have financial resources to provide funding for payment of its operations and maintenance costs that are projected to be incurred prior to the anticipated availability of funds, and that the Developer is willing to loan funds to the District for such costs. Specifically, the Developer agrees to loan up to \$500,000 to the District through December 31, 2019, and the District agrees to reimburse the Developer on an annual appropriation basis at the rate of 8% per annum. The O&M Reimbursement Agreement provides for the reimbursement of prior amounts incurred by the Developer on behalf of the District and for potential future loans. As of December 31, 2018, the outstanding balance was \$42,095 with accrued interest of \$7,900.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement with the City**

On December 7, 2015, the District, District No. 1, and the City entered into an Intergovernmental Agreement (the IGA). The IGA sets forth general provisions governing the relationship between the City and the Districts with respect to development within the Districts. Pursuant to the IGA, the District is required to dedicate Public Improvements (as defined in the Service Plan) to the City (or other appropriate jurisdiction or owners association) in accordance with the approved development plans and rules, regulations and other applicable provisions of the City's Code. The IGA provides that the District shall be authorized to operate and maintain any part or all of the Public Improvements which are not dedicated to the City or other appropriate jurisdiction, including park and recreation improvements, without the consent of the City, in accordance with approved development plans. The IGA generally provides for the same debt issuance and mill levy limitations as set forth in the Service Plan. The IGA also generally prohibits the District from applying for funds available from governmental or nonprofit entities that the City may apply for without City approval, imposing and collecting revenues from a public improvement fee and exercising its City sales and use tax exemption.

**NOTE 8 RELATED PARTY**

The Developer of the property which constitutes the District is RF Land Investment, 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.

**NOTE 9 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, workers' compensation, and property 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.

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 10 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.

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.

On November 3, 2015, the District's voters approved an annual increase in taxes of \$5,000,000 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.

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**

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 181,727	181,727	181,727	\$ -
Specific Ownership Taxes	14,540	14,540	16,827	2,287
Interest Income	3,400	3,400	5,585	2,185
Total Revenues	<u>199,667</u>	<u>199,667</u>	<u>204,139</u>	<u>4,472</u>
<b>EXPENDITURES</b>				
Paying Agent Fees	3,000	5,750	5,750	-
County Treasurer's Fees	2,726	2,726	2,728	(2)
Bond Interest	161,000	161,000	161,000	-
Contingency	2,274	2,274	-	2,274
Total Expenditures	<u>169,000</u>	<u>171,750</u>	<u>169,478</u>	<u>2,272</u>
<b>NET CHANGE IN FUND BALANCE</b>	30,667	27,917	34,661	6,744
Fund Balance - Beginning of Year	<u>327,895</u>	<u>327,895</u>	<u>331,541</u>	<u>3,646</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 358,562</u>	<u>\$ 355,812</u>	<u>\$ 366,202</u>	<u>\$ 10,390</u>

## **OTHER INFORMATION**

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
DECEMBER 31, 2018**

\$2,800,000 General Obligation Bonds  
(Limited Tax Convertible to Unlimited Tax)  
Series 2015 A, Dated December 16, 2015  
Interest Rate of 5.75%  
Payable June 1 and December 1  
Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 161,000	\$ 161,000
2020	25,000	161,000	186,000
2021	30,000	159,563	189,563
2022	35,000	157,838	192,838
2023	35,000	155,825	190,825
2024	40,000	153,813	193,813
2025	45,000	151,513	196,513
2026	50,000	148,925	198,925
2027	55,000	146,050	201,050
2028	60,000	142,888	202,888
2029	65,000	139,438	204,438
2030	70,000	135,700	205,700
2031	75,000	131,675	206,675
2032	85,000	127,363	212,363
2033	90,000	122,475	212,475
2034	100,000	117,300	217,300
2035	105,000	111,550	216,550
2036	115,000	105,513	220,513
2037	120,000	98,900	218,900
2038	135,000	92,000	227,000
2039	140,000	84,238	224,238
2040	155,000	76,188	231,188
2041	160,000	67,275	227,275
2042	175,000	58,075	233,075
2043	185,000	48,013	233,013
2044	200,000	37,375	237,375
2045	450,000	25,875	475,875
Total	<u>\$ 2,800,000</u>	<u>\$ 3,117,368</u>	<u>\$ 5,917,368</u>

**RICHARDS FARM METROPOLITAN DISTRICT NO. 2  
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 1,060,135	50.000	0.000	\$ 53,007	\$ 53,008	100.00 %
2017	1,120,931	20.000	40.000	67,256	67,256	100.00
2018	4,109,433	24.111	44.222	280,810	280,810	100.00
Estimated for the Year Ending December 31, 2019	\$ 5,491,671	32.305	44.222	\$ 420,261		

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.