

**THE RIDGE AT HARMONY ROAD  
METROPOLITAN DISTRICT NO. 2  
Weld County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019**

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
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YEAR ENDED DECEMBER 31, 2019**

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## Independent Auditor's Report

Board of Directors  
The Ridge at Harmony Road Metropolitan District No. 2  
Weld County, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of The Ridge at Harmony Road Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2019, 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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

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 Ridge at Harmony Road Metropolitan District No. 2 as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

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

*Wipfli LLP*  
*Lakewood, Colorado*

September 29, 2020

## **BASIC FINANCIAL STATEMENTS**

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Accounts Receivable - County Treasurer	\$ 1,249
Property Taxes Receivable	496,311
Due from Ridge at Harmony Road Metropolitan District No. 1	161,360
Total Assets	658,920
<b>LIABILITIES</b>	
Due to Ridge at Harmony Road Metropolitan District No. 1	320
Accrued Interest Payable	40,000
Noncurrent Liabilities:	
Due in More Than One Year	12,742,720
Total Liabilities	12,783,040
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	496,311
Total Deferred Inflows of Resources	496,311
<b>NET POSITION</b>	
Restricted For:	
Debt Service	122,289
Unrestricted	(12,782,720)
Total Net Position	\$ (12,620,431)

See accompanying Notes to Basic Financial Statements.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Government Activities:					
General Government	\$ 59,953	\$ -	\$ -	\$ 328,000	\$ 268,047
Public Works	10,482,022	-	-	-	(10,482,022)
Interest and related Costs on Long-Term Debt	2,640,299	-	-	-	(2,640,299)
Total Government Activities	<u>\$ 13,182,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 328,000</u>	<u>(12,854,274)</u>
<b>GENERAL REVENUES</b>					
Property Taxes					218,910
Specific Ownership Taxes					14,811
Net Investment Income					122
Total General Revenues					<u>233,843</u>
<b>CHANGE IN NET POSITION</b>					(12,620,431)
Net Position - Beginning of Year					-
<b>NET POSITION - END OF YEAR</b>					<u>\$ (12,620,431)</u>

See accompanying Notes to Basic Financial Statements.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Accounts Receivable - County Treasurer	\$ 320	\$ 929	\$ -	\$ 1,249
Property Taxes Receivable	127,261	369,050	-	496,311
Due from Ridge at Harmony Road Metropolitan District No. 1	-	161,360	-	161,360
Total Assets	\$ 127,581	\$ 531,339	\$ -	\$ 658,920
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Ridge at Harmony Road Metropolitan District No. 1	\$ 320	\$ -	\$ -	\$ 320
Total Liabilities	320	-	-	320
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Property Tax Revenue	127,261	369,050	-	496,311
Total Deferred Inflows of Resources	127,261	369,050	-	496,311
<b>FUND BALANCES</b>				
Restricted For:				
Debt Service	-	162,289	-	162,289
Total Fund Balances	-	162,289	-	162,289
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 127,581	\$ 531,339	\$ -	

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

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	(8,000,000)
Developer Advances Payable	(2,482,022)
Accrued Interest Payable - Bonds	(40,000)
Accrued Interest Payable - Developer Advances	(2,260,698)

Net Position of Governmental Activities	\$ (12,620,431)
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See accompanying Notes to Basic Financial Statements.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 56,130	\$ 162,780	\$ -	\$ 218,910
Specific Ownership Taxes	3,791	11,020	-	14,811
Net Investment Income	32	90	-	122
Intergovernmental Revenues	-	328,000	-	328,000
Total Revenues	<u>59,953</u>	<u>501,890</u>	<u>-</u>	<u>561,843</u>
<b>EXPENDITURES</b>				
Current:				
County Treasurer's Fees	842	2,442	-	3,284
Intergovernmental expense	59,111	-	-	59,111
Debt Service:				
Interest Expense - Bonds	-	301,333	-	301,333
Capital Projects:				
Bond Issue Costs	-	-	35,826	35,826
Capital Outlay	-	-	10,482,022	10,482,022
Total Expenditures	<u>59,953</u>	<u>303,775</u>	<u>10,517,848</u>	<u>10,881,576</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	198,115	(10,517,848)	(10,319,733)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Issuance	-	-	8,000,000	8,000,000
Developer Advance	-	-	10,482,022	10,482,022
Repayment of Developer Advances	-	-	(8,000,000)	(8,000,000)
Transfer (to)from other Funds	-	(35,826)	35,826	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(35,826)</u>	<u>10,517,848</u>	<u>10,482,022</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	162,289	-	162,289
Fund Balances - Beginning of Year	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 162,289</u>	<u>\$ -</u>	<u>\$ 162,289</u>

See accompanying Notes to Basic Financial Statements.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 162,289

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay	10,482,022
Contribution of Capital Assets to Ridge at Harmony Road Metropolitan District No. 1	(10,482,022)

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

Bond Issuance	(8,000,000)
Developer Advance	(10,482,022)
Repayment of Developer Advances	8,000,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability	(40,000)
Accrued Interest on Developer Advances - Change in Liability	<u>(2,260,698)</u>

Change in Net Position of Governmental Activities \$ (12,620,431)

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 56,130	\$ 56,130	\$ -
Specific Ownership Taxes	3,368	3,791	423
Net Investment Income	-	32	32
Contingency	1,000	-	(1,000)
Total Revenues	60,498	59,953	(545)
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fees	842	842	-
Intergovernmental Expense	58,656	59,111	(455)
Contingency	1,000	-	1,000
Total Expenditures	60,498	59,953	545
<b>NET CHANGES IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

The Ridge at Harmony Road Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, which was organized by order and decree of Weld County District Court on February 26, 2015, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) and the service plan approved by the Town of Windsor, Colorado on September 8, 2014 and as amended on February 25, 2019. The District, along with The Ridge at Harmony Road Metropolitan District Nos. 3 and 4, operate as the Financing Districts along with District No. 1 serving as the Coordinating District. The Districts' service area is located in the Town of Windsor within Weld County (the County), Colorado.

The Districts were established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protections, storm drainage, covenant enforcement and design review services, and parks and recreation facilities.

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

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

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

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

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

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

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. 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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Budgets**

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

The District has amended its annual budget for the year ended December 31, 2019.

**Pooled Cash and Investments**

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

**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 estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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 net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

As of December 31, 2019 all capital assets had been transferred to The Ridge at Harmony Road Metropolitan District No. 1.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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 sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**Deferred Inflow 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.

**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.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Equity (Continued)**

Fund Balance (Continued)

*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 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance - December 31, 2018	Increases	Dedication to District No. 1	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Streets	\$ -	\$ 5,115,697	\$ 5,115,697	\$ -
Water	-	1,729,576	1,729,576	-
Sanitation and Sewer	-	3,630,161	3,630,161	-
Traffic and Safety	-	6,588	6,588	-
Total Capital Assets, Not Being Depreciated	-	10,482,022	10,482,022	-
 Total Capital Assets	 \$ -	 \$ 10,482,022	 \$ 10,482,022	 \$ -

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 CASH AND INVESTMENTS**

**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.

As of December 31, 2019, the District had no cash deposits.

**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
- . 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, 2019, the District had no investments.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Retirements	Balance at December 31, 2019	Due Within One Year
Bonds:					
Bonds Payable -					
Series 2019A	\$ -	\$ 8,000,000	\$ -	\$ 8,000,000	\$ -
Bonds Subtotal	-	8,000,000	-	8,000,000	-
Developer Advances:					
Developer Advances - Capital	-	10,482,022	8,000,000	2,482,022	-
Accrued Interest on Developer Advances - Capital	-	2,260,698	-	2,260,698	-
Total	<u>\$ -</u>	<u>\$ 20,742,720</u>	<u>\$ 8,000,000</u>	<u>\$ 12,742,720</u>	<u>\$ -</u>

**\$8,000,000 Limited Tax General Obligation Bonds, Series 2019A**

In 2019, the District issued its Series 2019A (the Series 2019A Bonds) in the total amount of \$8,000,000. The proceeds of the Series 2019A Bonds were used to reimburse Developer Advances under the Funding and Reimbursement Agreement. The Series 2019A Bonds are limited mill levy tax obligations of the District secured and payable solely from pledged revenue, consisting primarily from ad valorem property taxes imposed by the District.

The Series 2019A Bonds are term bonds maturing as follows: \$8,000,000 due December 1, 2048, at an interest rate of 6.00%. The Series 2019A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on any date, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The Series 2019A Bonds also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2022, and on each December 1 thereafter prior to the maturity date of the Series 2019A Bonds, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption.

The District issued the Series 2019A Bonds for infrastructure related to streets, water, sewer and storm drainage.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**\$8,000,000 Limited Tax General Obligation Bonds, Series 2019A (Continued)**

The Series 2019A Bonds principal and interest will matures as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 480,000	\$ 480,000
2021	-	480,000	480,000
2022	125,000	480,000	605,000
2023	135,000	472,500	607,500
2024	140,000	464,400	604,400
2025-2029	850,000	2,184,000	3,034,000
2030-2034	1,125,000	1,897,800	3,022,800
2035-2039	1,510,000	1,517,400	3,027,400
2040-2044	2,015,000	1,006,200	3,021,200
2045-2048	2,100,000	324,000	2,424,000
Total	<u>\$ 8,000,000</u>	<u>\$ 9,306,300</u>	<u>\$ 17,306,300</u>

**Developer Advances**

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

**Funding and Reimbursement Agreement for Capital Costs**

On May 5, 2015, the District entered into an agreement with the Developer. The Developer has agreed to fund the costs of capital projects. Such advances include an interest rate of 8.0% and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. As of December 31, 2019, outstanding principal was \$2,482,022 and accrued interest due to the Developer was \$2,260,698.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Authorized Debt**

On November 4, 2014 a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$320,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2019, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 4, 2014 Election	Authorization Used Series 2019A Bonds	Authorized But Unissued
Street Improvements	\$ 20,000,000	\$ 3,904,359	\$ 16,095,641
Safety Protection	20,000,000	5,028	19,994,972
Water	20,000,000	1,320,032	18,679,968
Sanitation/Storm Sewer	20,000,000	2,770,581	17,229,419
Parks and Recreation	20,000,000	-	20,000,000
Transportation	20,000,000	-	20,000,000
Television Relay and Translation	20,000,000	-	20,000,000
Mosquito Control	20,000,000	-	20,000,000
Security	20,000,000	-	20,000,000
Fire Protection	20,000,000	-	20,000,000
Operations and Maintenance Debt	20,000,000	-	20,000,000
Refunding Debt	20,000,000	-	20,000,000
District Intergovernmental Agreements as Debt	20,000,000	-	20,000,000
District Private Agreements as Debt	20,000,000	-	20,000,000
In-District Special Assessment	20,000,000	-	20,000,000
Margage	20,000,000	-	20,000,000
Total	<u>\$ 320,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 312,000,000</u>

As set forth in the District's 2014 and amended 2019 Service Plan, the City has limited the amount of debt to be issued by the District to a total of \$8,000,000 without future approval by the City. The District may levy up to a collective total of 39.000 mills for debt service and for general operations and administrative expenses due to the on-going operations and maintenance to be undertaken by the District and the combined mill levy is not to exceed 39 mills.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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 restricted net position as of December 31, 2019, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service (see Note 5)	\$ 122,289
Total Restricted Net Position	\$ 122,289

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of debt obligations issued for improvements conveyed to District No. 1.

**NOTE 7 RELATED PARTIES**

The Developer of the property which constitutes the District is Eagle Development Company. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

**NOTE 8 AGREEMENTS**

**Master Intergovernmental Agreement (IGA)**

On May 5, 2015, the District entered into a Master Intergovernmental Agreement (IGA) with The Ridge at Harmony Road Metropolitan District Nos. 1 and 3 and was amended April 13, 2020 to include The Ridge at Harmony Road Metropolitan District No. 4. The IGA provides that the District No. 1 will serve as the operating district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. Districts Nos. 2-4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements.

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 9 RISK MANAGEMENT**

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

**NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known 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. As of December 31, 2018, the District has not provided for an emergency reserve fund equal to 3% fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 1, which provides for the required reserve amount.

On November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under 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**

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 162,780	\$ 162,780	\$ -
Specific Ownership Taxes	9,767	11,020	1,253
Net Investment Income	-	90	90
Intergovernmental Revenue - RHR MD No. 1	-	328,000	328,000
Total Revenues	<u>172,547</u>	<u>501,890</u>	<u>329,343</u>
<b>EXPENDITURES</b>			
County Treasurer's Fees	2,442	2,442	-
Bond Interest	400,000	301,333	98,667
Total Expenditures	<u>402,442</u>	<u>303,775</u>	<u>98,667</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(229,895)	198,115	428,010
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from (to) other Fund	328,000	(35,826)	(363,826)
Total Other Financing Sources (uses)	<u>328,000</u>	<u>(35,826)</u>	<u>(363,826)</u>
<b>NET CHANGE IN FUND BALANCE</b>	98,105	162,289	64,184
Fund Balance - Beginning of Year	<u>641,170</u>	<u>-</u>	<u>(641,170)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 739,275</u>	<u>\$ 162,289</u>	<u>\$ (576,986)</u>

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
District Fees from Lot Sales	\$ 378,000	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	2,482,022	-	(2,482,022)
Total Revenues	<u>378,000</u>	<u>2,482,022</u>	<u>-</u>	<u>(2,482,022)</u>
<b>EXPENDITURES</b>				
Capital Projects:				
Bond Issue Costs	50,000	50,000	35,826	14,174
Capital Outlay	8,000,000	10,482,022	10,482,022	-
Total Expenditures	<u>8,050,000</u>	<u>10,532,022</u>	<u>10,517,848</u>	<u>14,174</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(7,672,000)</u>	<u>(8,050,000)</u>	<u>(10,517,848)</u>	<u>(2,467,848)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond Issuance	8,000,000	8,000,000	8,000,000	-
Transfer from (to) other Fund	(328,000)	50,000	35,826	(14,174)
Developer Advance	8,000,000	10,482,022	10,482,022	-
Repayment of Developer Advances	<u>(8,000,000)</u>	<u>(10,482,022)</u>	<u>(8,000,000)</u>	<u>2,482,022</u>
Total Other Financing Sources (Uses)	<u>7,672,000</u>	<u>8,050,000</u>	<u>10,517,848</u>	<u>2,467,848</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **OTHER INFORMATION**

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
YEAR ENDED DECEMBER 31, 2019**

\$8,000,000 Limited Mill General Obligation Bonds  
Series 2019A  
Dated April 15, 2019  
Interest Rate 6.00%  
Principal Due December 1  
Interest Payable December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 480,000	\$ 480,000
2021	-	480,000	480,000
2022	125,000	480,000	605,000
2023	135,000	472,500	607,500
2024	140,000	464,400	604,400
2025	150,000	456,000	606,000
2026	160,000	447,000	607,000
2027	170,000	437,400	607,400
2028	180,000	427,200	607,200
2029	190,000	416,400	606,400
2030	200,000	405,000	605,000
2031	210,000	393,000	603,000
2032	225,000	380,400	605,400
2033	240,000	366,900	606,900
2034	250,000	352,500	602,500
2035	265,000	337,500	602,500
2036	285,000	321,600	606,600
2037	300,000	304,500	604,500
2038	320,000	286,500	606,500
2039	340,000	267,300	607,300
2040	360,000	246,900	606,900
2041	380,000	225,300	605,300
2042	400,000	202,500	602,500
2043	425,000	178,500	603,500
2044	450,000	153,000	603,000
2045	480,000	126,000	606,000
2046	510,000	97,200	607,200
2047	540,000	66,600	606,600
2048	570,000	34,200	604,200
Total	<u>\$ 8,000,000</u>	<u>\$ 9,306,300</u>	<u>\$ 17,306,300</u>

**THE RIDGE AT HARMONY ROAD METROPOLITAN DISTRICT NO. 2  
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
 DECEMBER 31, 2019**

Year Ended <u>December 31.</u>	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	<u>Total Property Taxes</u>		Percent Collected to Levied
			<u>Levied</u>	<u>Collected</u>	
2016	\$ 4,400	39.000	\$ 172	\$ 172	100.00 %
2017	4,510	39.000	176	176	100.00
2018	1,539,990	39.000	60,060	60,060	100.00
2019	5,248,250	41.711	218,909	218,910	100.00
Estimated for the Year Ending December 31, 2020	\$ 11,431,010	43.418	\$ 496,311		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.