

**LARKRIDGE METROPOLITAN
DISTRICT NO. 2
Adams County, Colorado**

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

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Larkridge Metropolitan District No. 2
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Larkridge Metropolitan District No. 2 as of and for the year 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 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.

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

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 Larkridge Metropolitan District No. 2, as of December 31, 2019, 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 Larkridge Metropolitan District No. 2's basic financial statements. The supplementary information and the other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 them.

Duggio & Associates, P.C.

May 7, 2020

BASIC FINANCIAL STATEMENTS

LARKRIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments - Restricted	\$ 3,279,365
Receivable - County Treasurer	2,333
Property Tax Receivable	6,718
Prepaid Expenses	2,910
Capital Assets, Net:	
Construction in Progress	<u>12,450,631</u>
Total Assets	<u>15,741,957</u>
LIABILITIES	
Accounts Payable	9,678
Accrued Interest Payable	66,806
Noncurrent Liabilities:	
Due in More Than One Year	<u>23,935,410</u>
Total Liabilities	<u>24,011,894</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>6,718</u>
Total Deferred Inflows of Resources	<u>6,718</u>
NET POSITION	
Restricted:	
Emergency Reserves	1,900
Debt Service	651,069
Unrestricted	<u>(8,929,624)</u>
Total Net Position	<u><u>\$ (8,276,655)</u></u>

See accompanying Notes to Basic Financial Statements.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 98,158	\$ -	\$ 54,179	\$ -	\$ (43,979)
Interest and Related Costs on Long-Term Debt	1,770,342	-	288,956	-	(1,481,386)
	\$ 1,868,500	\$ -	\$ 343,135	\$ -	(1,525,365)
GENERAL REVENUES					
Property Taxes					14,474
Specific Ownership Taxes					29,885
Net Investment Income					75,275
Total General Revenues					119,634
CHANGE IN NET POSITION					
					(1,405,731)
Net Position - Beginning of Year					(6,870,924)
NET POSITION - END OF YEAR					
					\$ (8,276,655)

See accompanying Notes to Basic Financial Statements.

**LARKRIDGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments - Restricted	\$ 1,462	\$ 3,277,903	\$ -	\$ 3,279,365
Due from Other Funds	-	-	3,500	3,500
Receivable - County Treasurer	368	1,965	-	2,333
Property Taxes Receivable	1,061	5,657	-	6,718
Prepaid Expense	2,910	-	-	2,910
Total Assets	\$ 5,801	\$ 3,285,525	\$ 3,500	\$ 3,294,826
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 6,178	\$ -	\$ 3,500	\$ 9,678
Due to Other Funds	3,500	-	-	3,500
Total Liabilities	9,678	-	3,500	13,178
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	1,061	5,657	-	6,718
Total Deferred Inflows of Resources	1,061	5,657	-	6,718
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	2,910	-	-	2,910
Restricted For:				
Emergency Reserves	1,900	-	-	1,900
Debt Service	-	3,279,868	-	3,279,868
Unassigned	(9,748)	-	-	(9,748)
Total Fund Balances	(4,938)	3,279,868	-	3,274,930
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,801	\$ 3,285,525	\$ 3,500	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,450,631
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	(15,138,024)
Accrued Bond Interest Payable	(66,806)
Developer Advance Payable	(8,393,173)
Accrued Interest on Developer advance	(404,213)
Net Position of Governmental Activities	\$ (8,276,655)

See accompanying Notes to Basic Financial Statements.

LARKRIDGE 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
REVENUES				
Property Taxes	\$ 2,285	\$ 12,189	\$ -	\$ 14,474
Property Taxes from TDA	54,179	288,956	-	343,135
Specific Ownership Taxes	4,719	25,166	-	29,885
Net Investment Income	22	69,683	5,570	75,275
Total Revenues	<u>61,205</u>	<u>395,994</u>	<u>5,570</u>	<u>462,769</u>
EXPENDITURES				
Current:				
Accounting	27,720	-	-	27,720
Audit	5,000	-	-	5,000
County Treasurer's Fee	35	185	-	220
District Management	19,084	-	-	19,084
Dues and Subscriptions	309	-	-	309
Insurance and Bonds	3,108	-	-	3,108
Legal	30,287	-	-	30,287
Miscellaneous	295	477	-	772
Engineering	-	-	12,320	12,320
Capital Outlay	-	-	9,875,795	9,875,795
Debt Service:				
Bond Issue Costs	-	575,560	-	575,560
Principal Payment - Loan	-	3,550,000	-	3,550,000
Interest Expense - Bond	-	703,693	-	703,693
Interest Expense - Loan	-	12,992	-	12,992
Total Expenditures	<u>85,838</u>	<u>4,842,907</u>	<u>9,882,115</u>	<u>14,816,860</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,633)	(4,446,913)	(9,882,545)	(14,354,091)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	15,270,000	-	15,270,000
Original Issue Discount	-	(137,583)	-	(137,583)
Repay Developer Advance	-	-	(7,857,805)	(7,857,805)
Developer Advance	-	-	9,875,795	9,875,795
Transfer (to)/from Other Fund	(8,139)	(7,856,416)	7,864,555	-
Total Other Financing Sources (Uses)	<u>(8,139)</u>	<u>7,276,001</u>	<u>9,882,545</u>	<u>17,150,407</u>
NET CHANGE IN FUND BALANCES	(32,772)	2,829,088	-	2,796,316
Fund Balances - Beginning of Year	27,834	450,780	-	478,614
FUND BALANCES - END OF YEAR	<u>\$ (4,938)</u>	<u>\$ 3,279,868</u>	<u>\$ -</u>	<u>\$ 3,274,930</u>

See accompanying Notes to Basic Financial Statements.

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

Net change in fund balances - Total governmental funds \$ 2,796,316

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. During the current period, there were no depreciable assets. Therefore, this is the amount of capital outlay in the current period.

Capital Outlay 9,875,795

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

Loan Principal Payment	3,550,000
Bond Issuance	(15,270,000)
Bond Discount	137,583
Current Year Repayment of Developer Advance	7,857,805
Developer Advances	(9,875,795)

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/Expense of Bond Discount	(5,607)
Accrued Interest on Developer Advance	(413,030)
Accrued Interest on Bonds - Change in Liability	(58,798)
	(58,798)

Change in Net Position of Governmental Activities \$ (1,405,731)

**LARKRIDGE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT 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		
REVENUES				
Property Taxes	\$ 2,359	\$ 2,285	\$ 2,285	\$ -
Property Taxes from TDA	55,928	54,179	54,179	-
Specific Ownership Taxes	3,548	4,719	4,719	-
Interest Income	-	22	22	-
Other Income	-	13,161	-	(13,161)
Total Revenues	<u>61,835</u>	<u>74,366</u>	<u>61,205</u>	<u>(13,161)</u>
EXPENDITURES				
Current:				
Accounting	23,000	27,720	27,720	-
Audit	5,250	5,000	5,000	-
County Treasurer's Fee	35	35	35	-
District Management	12,000	19,084	19,084	-
Dues and Subscriptions	400	309	309	-
Insurance and Bonds	2,900	3,108	3,108	-
Legal	12,000	30,287	30,287	-
Miscellaneous	1,400	295	295	-
Contingency	3,015	4,162	-	4,162
Total Expenditures	<u>60,000</u>	<u>90,000</u>	<u>85,838</u>	<u>4,162</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,835	(15,634)	(24,633)	(8,999)
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	-	(10,000)	(8,139)	1,861
Total Other Financing Sources (Uses)	<u>-</u>	<u>(10,000)</u>	<u>(8,139)</u>	<u>1,861</u>
NET CHANGE IN FUND BALANCE	1,835	(25,634)	(32,772)	(7,138)
Fund Balance - Beginning of Year	<u>59,086</u>	<u>27,834</u>	<u>27,834</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,921</u>	<u>\$ 2,200</u>	<u>\$ (4,938)</u>	<u>\$ (7,138)</u>

See accompanying Notes to Basic Financial Statements.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 DEFINITION OF REPORTING ENTITY

Larkridge 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 Adams County on May 18, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Thornton, Colorado. The District was established to provide water, storm sewer and sanitary sewer, streets and traffic and safety protection, parks and recreation, transportation, mosquito control and other powers.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

LARKRIDGE 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation, if any, is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds, loans, notes and developer advances are 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 has 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 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 general obligation 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.

LARKRIDGE 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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns 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 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 are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interfund Balances

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds (current portion of interfund loans) or advances to/from other funds (long-term portion of interfund loans). The interfund balances have been eliminated in the government-wide statements.

LARKRIDGE 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the fund balance sheet 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.

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.

**LARKRIDGE 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)

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.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2019. The deficit will be eliminated with the receipt of property tax funds in 2020.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Cash and Investments - Restricted	\$ 3,279,365
Total Cash and Investments	\$ 3,279,365

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 7,496
Investments	3,271,869
Total Cash and Investments	\$ 3,279,365

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.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2019, the District's cash deposits had a bank balance of \$19,782 and a carrying balance of \$7,496.

Investments

The District has adopted a formal investment policy that 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

**LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2019, 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>\$ 3,271,869</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, 2019 follows:

	Balance December 31, 2018	Additions	Retirements/ Reclassifications	Balance December 31, 2019
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Construction in Progress	<u>\$ 2,574,836</u>	<u>\$ 9,875,795</u>	<u>\$ -</u>	<u>\$ 12,450,631</u>

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
General Obligation Bonds:					
Series 2019	\$ -	\$ 15,270,000	\$ -	\$ 15,270,000	\$ -
Discount	-	(137,583)	5,607	(131,976)	-
Total Bonds Payable	-	15,132,417	5,607	15,138,024	-
Loan - 2014	3,550,000	-	3,550,000	-	-
Developer Advances	3,064,831	9,875,795	4,547,453	8,393,173	-
Accrued Interest on Developer Advances	3,301,535	413,030	3,310,352	404,213	-
Total	<u>\$ 9,916,366</u>	<u>\$ 25,421,242</u>	<u>\$ 11,413,412</u>	<u>\$ 23,935,410</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Limited Tax (Convertible to Unlimited Tax) Refunding Improvement Loan and Limited Tax (Convertible to Unlimited Tax) Advancing Improvement Loan, Series 2014

Loan Agreement – 2014

On December 15, 2014, the District issued a \$4,010,000 Limited Tax (Convertible to Unlimited Tax) Refunding Improvement Loan and a \$2,000,000 Limited Tax (Convertible to Unlimited Tax) Advancing Improvement Loan (hereinafter, collectively, the "2014 Refunding Loan"). The 2014 Refunding Loan is due on December 15, 2024, and bears interest at a fixed rate of 2.67% for the first five years and 65.000001% of USSW5 (as defined in the 2014 Loan Agreement) plus 1.625% thereafter. The District drew an initial \$4,010,000 of loan proceeds in 2014.

The \$2,000,000 Advancing Improvement Loan is issued under a promissory note, and as of December 31, 2019, no funds have been advanced. The interest rate on this promissory note is the sum of (a) 65.000001% of the One-Month LIBOR plus (b) 1.625 stated as a percentage. A Non-Use Fee of 0.5% per annum is payable in arrears on June 1 and December 1 each year on the unfunded advanced amount available. Advances under the promissory note are subject to specific requirements as outlined in the loan agreement. The 2014 Refunding Loan may be prepaid in whole or in part on any date without penalty or premium.

The 2014 Refunding Loan is secured by the Pledged Revenue and all monies and earnings thereon held in the funds or accounts created under the terms of the loan agreement. Pledged Revenue consists of revenues derived from the imposition of the Required Mill Levy, net of any costs of collection, whether received pursuant to the Tax Increment Sharing Agreement with the Thornton Development Authority, the portion of the specific ownership tax collected as a result of the imposition of the Required Mill Levy, and any other legally available funds, which the District determines, in its sole discretion, to apply to the payment of principal and/or interest on the 2014 Refunding or replenishment of the Reserve Fund.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Agreement – 2014 (Continued)

The District is required to impose a mill levy at the rate necessary to generate ad valorem property tax revenue which will be sufficient to generate an amount equal to the Estimated Debt Requirements (as defined in the 2014 Loan Agreement) for the next succeeding year and to replenish the Reserve Fund to the Reserve Requirement. The loans and interest are payable from the net revenue of a maximum debt mill levy of 50.000 mills, which may be adjusted for changes in the method of calculated assessed valuation in the State.

Loan proceeds were used to pay off the balance of the 2007 Loan, fund certain project costs, pay related costs and expenses and, together with monies in the funds and accounts relating to the 2007 Loan, fund the Reserve Fund in the amount of the Reserve Requirement.

On January 15, 2019, the District paid in full the outstanding principal of \$3,550,000 on the 2014 Loan from proceeds of the Series 2019 Bonds.

General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2019

Series 2019 Bonds Details

On January 15, 2019, the District issued \$15,270,000 of General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Bonds, Series 2019 (“Series 2019 Bonds”). Proceeds from the sale of the Series 2019 Bonds were used to (i) refund the 2014 Loan; (ii) pay project costs; (iii) fund a Reserve Fund; (iv) fund capitalized interest; and, (v) pay costs of issuance of the Series 2019 Bonds.

The Series 2019 Bonds bear interest at 5.25% which is payable semiannually on June 1 and December 1, beginning on June 1, 2019. Annual mandatory fund principal payments are due on December 1, beginning on December 1, 2024. The Series 2019 Bonds mature on December 1, 2048. To the extent the principal of any bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate borne by the bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the bond.

Optional Redemption

The Series 2019 Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2023, to November 30, 2024	3.00%
December 1, 2024, to November 30, 2025	2.00
December 1, 2025, to November 30, 2026	1.00

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2019 Bonds Pledged Revenue

The Series 2019 Bonds are secured by and payable solely from and to the extent of Pledged Revenue which means the money derived by the District from the following sources, net of any costs of collection: (a) the Required Mill Levy, whether received from the Thornton Development Authority ("TDA") pursuant to the TDA Cooperation Agreement, directly from the County Treasurer, or otherwise; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Series 2019 Bonds Required Mill Levy

Prior to the Conversion Date, the District is to impose a Required Mill Levy in an amount sufficient to pay the Series 2019 Bonds when due (in determining such Required Mill Levy, the District may take into account amounts in the Surplus Fund in excess of the Minimum Surplus Amount if it elects to use such moneys for payment of debt service) and, if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Reserve Requirement, but (i) not in excess of 50.000 mills, and (ii) if the Surplus Fund is less than the Maximum Surplus Amount, not less than 40.000 mills, or such lesser mill levy that will pay the Series 2019 Bonds when due, will replenish the Reserve Fund to the amount of the Reserve Requirement, and will fund the Surplus Fund up to the Maximum Surplus Amount.

If the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement is changed with respect to commercial property (or any other class of property on which the District is authorized to certify its mill levy) after the date of issuance of the Series 2019 Bonds, such mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such mill levy are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of assessed valuation to statutory actual value shall be deemed to be a change in the method of calculating assessed valuation.

On and after the Conversion Date, the District is to impose a Required Mill Levy each year in an amount sufficient to pay the principal of, premium if any, and interest on the Series 2019 Bonds when due, without limitation of rate and in amounts sufficient to make such payments when due. The Conversion Date is the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50% or less; and (b) no amounts of principal or interest on the Series 2019 Bonds are due but unpaid. On and after the Conversion Date, the definition of Required Mill Levy shall be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

**LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2019 Bonds Reserve Fund

The Series 2019 Bonds are also secured by amounts on deposit in the Reserve Fund which was funded upon issuance of the Series 2019 Bonds in the amount of the Reserve Requirement of \$1,275,213. The balance in the Reserve Fund as of December 31, 2019, was \$1,280,595.

Series 2019 Bonds Surplus Fund

The Series 2019 Bonds are further secured by amounts on deposit in the Surplus Fund, if any. Prior to the Conversion Date, Pledged Revenue that is not needed to pay debt service on the Series 2019 Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$1,527,000. Amounts in the Surplus Fund in excess of the Minimum Surplus Amount of \$850,000 may be applied to debt service, if needed, in order to maintain the minimum mill levy. The balance in the Surplus Fund as of December 31, 2019, was \$0.

Upon the Conversion Date, both the Reserve Fund and the Surplus Fund will be terminated and any moneys therein remitted to the District for application to any lawful purpose of the District.

Series 2019 Bonds Debt Service

The outstanding principal and interest of the Series 2019 Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 801,675	\$ 801,675
2021	-	801,675	801,675
2022	-	801,675	801,675
2023	-	801,675	801,675
2024	55,000	801,675	856,675
2025 - 2029	1,385,000	3,861,376	5,246,376
2030 - 2034	2,100,000	3,426,938	5,526,938
2035 - 2039	3,010,000	2,785,389	5,795,389
2040 - 2044	4,230,000	1,873,727	6,103,727
2045 - 2048	4,490,000	608,214	5,098,214
Total	<u>\$ 15,270,000</u>	<u>\$ 16,564,019</u>	<u>\$ 31,834,019</u>

Authorized Debt

On November 6, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$322,000,000 at an interest rate not to exceed 18% per annum. This authorization constituted a restatement and replacement of all authorization for debt approved by the District's electorate at prior elections.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	November 6, 2018 Authorization	Authorization Used for 2019 Bonds	Authorized But Unissued
Street Improvements	\$ 23,000,000	\$ 5,749,726	\$ 17,250,274
Water	23,000,000	972,044	\$ 22,027,956
Sanitary Sewer	23,000,000	3,812,012	\$ 19,187,988
Park and Recreation	23,000,000	1,173,178	\$ 21,826,822
Transportation	23,000,000	-	\$ 23,000,000
Mosquito Control	23,000,000	-	\$ 23,000,000
Safety Protection	23,000,000	-	\$ 23,000,000
Fire Protection	23,000,000	-	\$ 23,000,000
Television Relay	23,000,000	-	\$ 23,000,000
Security	23,000,000	-	\$ 23,000,000
Operations	23,000,000	-	\$ 23,000,000
Refunding	23,000,000	3,563,040	\$ 19,436,960
IGA	23,000,000	-	\$ 23,000,000
Telephone, Satellite and Fiber Optics	23,000,000	-	\$ 23,000,000
Total	<u>\$ 322,000,000</u>	<u>\$ 15,270,000</u>	<u>\$ 306,730,000</u>

The District's Second Amended and Restated Service Plan (Service Plan) establishes a mill levy cap of 50.000 mills for debt service (the Maximum Debt Mill Levy). The Maximum Debt Mill Levy may be increased or decreased to reflect any change in law for calculating assessed valuation on property for taxation purposes.

The District's Service Plan establishes a limit on the issuance of debt in the amount of \$23,000,000. Any increase in the debt limit will be considered a material modification of the District's Service Plan which would require approval from the City of Thornton. The District has issued \$15,270,000 of debt and under this limit. The District can issue only an additional \$7,730,000 of new money debt per the limit established in the District's Service Plan without approval from the City of Thornton to modify the Service Plan.

In the future, the District may issue a portion 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.

**LARKRIDGE 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.

Restricted net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2019, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 1,900
Debt Service	651,069
Total Restricted Net Position	\$ 652,969

The District's unrestricted net position as of December 31, 2019 is \$(8,929,624). This deficit amount is a result of the District being responsible for the repayment of both bonds issued and developer advances received for public improvements, which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 DISTRICT AGREEMENTS

Tax Increment Sharing Agreement

The District has entered into the Tax Increment Sharing Agreement with the Thornton Development Authority (Authority), dated as of June 9, 2004, regarding the sharing of Tax Increment Revenues generated within the District. The Tax Increment Sharing Agreement provides that in consideration for the District providing public improvements and services, the Authority agrees that the portion of revenues which it receives as a result of ad valorem property tax increments, which are attributable to the District's current and future levy of ad valorem taxes on property within the Development and encompassed by the Urban Renewal Plan, shall be segregated upon receipt and shall be remitted by the Authority to the District within 45 days of the end of each quarter.

Facilities Acquisition and Reimbursement Agreement

The District and Thornton 164 LLC (the Landowner) entered into a Second Amended and Restated Facilities Acquisition and Reimbursement Agreement (FARA) dated June 13, 2017. Pursuant to the FARA, the Landowner in its sole discretion shall design, construct, and complete or cause to be completed, certain of the Improvements (defined therein - including construction by the Landowner of the Grant Street/160th Avenue/Pond/Drainage Pipeline). The District will construct or cause the construction of certain Improvements and incur construction related expenses.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 DISTRICT AGREEMENTS (CONTINUED)

Facilities Acquisition and Reimbursement Agreement (Continued)

The Landowner shall advance funds necessary to fund the Shortfall Amount (defined therein) incurred by the District. District will reimburse Landowner for amounts advanced to fund Shortfall Amounts and for all costs related to organization of the Districts and verified Improvements. Simple interest to be accrued at a rate which shall not exceed the current market rate as determined by an independent underwriter at the time bonds are issued. An independent underwriter determined that the current market rate was 5.31% at the time the bonds were issued. As of December 31, 2019, outstanding advances under the FARA totaled \$8,393,173 and accrued interest totaled \$404,213.

Monument Funding and Acquisition Agreement

The District and Thornton 164 LLC (the Landowner) entered into a Monument Funding and Acquisition Agreement (2018 Monument Funding Agreement) dated July 17, 2018. Pursuant to the 2018 Monument Funding Agreement, Landowner agrees to construct and convey the Monument (defined therein) to the District upon the completion of construction, subject to certain conditions described therein, while reserving to itself the Panels (defined therein) located on the face of the Monument over which the Landowner shall retain all rights of ownership and responsibility for operation and maintenance. Subject to the receipt of funding as set forth in Section 6 of the 2018 Monument Funding Agreement, the District agrees to reimburse the Landowner for certified construction costs. No payment will be due under the 2018 Monument Funding Agreement unless and until the District issues bonds in an amount sufficient to reimburse the Development for all or a portion of its costs. In the event that the District has not reimbursed the Landowner for any portion of the costs incurred pursuant to the 2018 Monument Funding Agreement by December 31, 2048, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

Monument Funding and Acquisition Agreement

The District and Thornton 164 LLC (the Landowner) entered into a Monument Funding and Acquisition Agreement (2019 Monument Agreement) dated April 11, 2019. Pursuant to the 2019 Monument Funding Agreement, Landowner agrees to construct the Monument (defined therein) and to convey the Monument, subject to certain conditions described therein, as well as install landscaping within the Monument Easement Property (defined therein), and to convey to the District the completed Monument while reserving to itself the Panels (defined therein) located on the face of the monument over which the Landowner shall retain all rights of ownership and responsibility for operation and maintenance. Subject to the receipt of funding as set forth in Section 7 of the 2019 Monument Funding Agreement, the District agrees to reimburse the Landowner for certified construction costs up to a maximum of \$105,400.00, together with interest at a rate of 7% annum. No payment will be due under the 2019 Monument Funding Agreement unless and until the District issues bonds in an amount sufficient to reimburse the Development for all or a portion of its costs. In the event that the District has not reimbursed the Landowner for any portion of the costs incurred pursuant to the 2019 Monument Funding Agreement by December 31, 2049, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 DISTRICT AGREEMENTS (CONTINUED)

Retaining Wall Funding and Acquisition Agreement

The District and Thornton 164 LLC (the Landowner) entered into a Retaining Wall Funding and Acquisition Agreement (Retaining Wall Agreement) dated July 17, 2018. The Landowner agrees to construct the Phase I Retaining Wall (described therein), to make a deposit with the City of Thornton for a Phase II Retaining Wall (described therein) and to convey the constructed Phase I Retaining Wall, subject to certain conditions described therein, to the District upon completion of construction. The District agrees to reimburse the Landowner for the Certified Construction Costs (defined therein) up to \$550,000 plus interest and for the cost of deposit for the Phase II Retaining Wall plus interest thereon. Simple interest at the rate of 7% per annum is to accrue on any reimbursements due to the Landowner. No payment will be due under the Retaining Wall Agreement unless and until the District issues bonds in an amount sufficient to reimburse the Landowner for all or a portion of its costs. In the event that the District has not reimbursed the Landowner for any portion of the costs incurred pursuant to the Retaining Wall Agreement by December 31, 2048, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

Retaining Wall Construction and Maintenance Agreement

The District and the City of Thornton (City) entered into an Intergovernmental Agreement Regarding Retaining Wall Construction and Maintenance (Retaining Wall IGA) dated April 9, 2019. Pursuant to the Retaining Wall IGA, the City and District agree that the District, at its sole expense, will fund, design and construct the Phase II Retaining Wall if any Interstate 25 (I25) expansion makes the Phase II Retaining Wall necessary and will keep, maintain, repair and replace said Retaining Wall. The City will provide advance notice of any I25 expansion to the District not less than 12 months prior to groundbreaking. Failure to provide notice to the District shall absolve the District of the funding obligation to fund, design and construct the Phase II Retaining Wall.

The District's design and build plans and specifications are subject to prior written approval by the City. The District shall be deemed to own the Phase II Retaining Wall improvements upon commencement of construction.

NOTE 8 RELATED PARTY

The Developer of the property which constitutes the District is Jordon Perlmutter & Co. Jordon Perlmutter & Co. has an interest in the landowner. The members of the Board of Directors are employees, owners, or are otherwise associated with Jordon Perlmutter & Co. and the landowner, and may have conflicts of interest in dealing with the District.

NOTE 9 INTERFUND AND OPERATING TRANSFERS

The General Fund transferred \$8,139 to the Capital Projects Fund to cover capital costs. The Debt Service Fund transferred \$7,856,416 to the Capital Projects Fund to cover capital costs.

LARKRIDGE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 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 (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, 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.

On May 8, 2012 and November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain in a reserve the full amount of all currently levied taxes and fees of the District annually, without regard to any limitations under TABOR.

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

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

SUPPLEMENTARY INFORMATION

**LARKRIDGE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE 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		
REVENUES				
Property Taxes	\$ 12,582	\$ 12,189	\$ 12,189	\$ -
Property Taxes from TDA	298,283	288,956	288,956	-
Specific Ownership Taxes	18,924	25,166	25,166	-
Net Investment Income	5,500	69,683	69,683	-
Total Revenues	<u>335,289</u>	<u>395,994</u>	<u>395,994</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fees	189	185	185	-
Bond Interest - Series 2019	718,373	703,693	703,693	-
Bond Issue Costs	549,600	575,560	575,560	-
Loan Interest - Series 2014	12,984	12,992	12,992	-
Loan Principal - Series 2014	3,550,000	3,550,000	3,550,000	-
Miscellaneous	1,000	477	477	-
Paying Agent Fees	5,000	-	-	-
Contingency	7,854	19,510	-	19,510
Total Expenditures	<u>4,845,000</u>	<u>4,862,417</u>	<u>4,842,907</u>	<u>19,510</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,509,711)	(4,466,423)	(4,446,913)	19,510
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	14,880,000	15,270,000	15,270,000	-
Original Issue Discount	-	(137,583)	(137,583)	-
Transfers to Other Funds	(7,561,343)	(7,900,000)	(7,856,416)	43,584
Total Other Financing Sources (Uses)	<u>7,318,657</u>	<u>7,232,417</u>	<u>7,276,001</u>	<u>43,584</u>
NET CHANGE IN FUND BALANCE	2,808,946	2,765,994	2,829,088	63,094
Fund Balance - Beginning of Year	<u>446,751</u>	<u>450,780</u>	<u>450,780</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,255,697</u>	<u>\$ 3,216,774</u>	<u>\$ 3,279,868</u>	<u>\$ 63,094</u>

**LARKRIDGE 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		
REVENUES				
Net Investment Income	\$ -	\$ 5,570	\$ 5,570	\$ -
Total Revenues	-	5,570	5,570	-
EXPENDITURES				
Engineering	-	12,320	12,320	-
Capital Outlay	7,561,343	9,875,795	9,875,795	-
Total Expenditures	7,561,343	9,888,115	9,888,115	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,561,343)	(9,882,545)	(9,882,545)	-
OTHER FINANCING SOURCES (USES)				
Transfer from Other Fund	7,561,343	7,864,555	7,864,555	-
Repay Developer Advance	(7,561,343)	(7,857,805)	(7,857,805)	-
Developer Advance	7,561,343	9,875,795	9,875,795	-
Total Other Financing Sources (Uses)	7,561,343	9,882,545	9,882,545	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

OTHER INFORMATION

LARKRIDGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2019

\$15,270,000 General Obligation (Limited Tax Convertible to
Unlimited Tax) Refunding and Improvement Bonds

Series 2019

Interest 5.250%

Dated January 15, 2019

Interest payable June 1 and December 1

Principal due December 1

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 801,675	\$ 801,675
2021	-	801,675	801,675
2022	-	801,675	801,675
2023	-	801,675	801,675
2024	55,000	801,675	856,675
2025	225,000	798,788	1,023,788
2026	260,000	786,975	1,046,975
2027	270,000	773,325	1,043,325
2028	305,000	759,150	1,064,150
2029	325,000	743,138	1,068,138
2030	360,000	726,075	1,086,075
2031	380,000	707,175	1,087,175
2032	425,000	687,225	1,112,225
2033	445,000	664,913	1,109,913
2034	490,000	641,550	1,131,550
2035	515,000	615,825	1,130,825
2036	565,000	588,788	1,153,788
2037	595,000	559,125	1,154,125
2038	650,000	527,888	1,177,888
2039	685,000	493,763	1,178,763
2040	745,000	457,800	1,202,800
2041	780,000	418,688	1,198,688
2042	850,000	377,738	1,227,738
2043	890,000	333,113	1,223,113
2044	965,000	286,388	1,251,388
2045	1,015,000	235,725	1,250,725
2046	1,090,000	182,438	1,272,438
2047	1,150,000	125,213	1,275,213
2048	1,235,000	64,838	1,299,838
	<u>\$ 15,270,000</u>	<u>\$ 16,564,019</u>	<u>\$ 31,834,019</u>

LARKRIDGE METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2019

Year Ended December 31,	Prior Year Gross Assessed Valuation for Current Year Property Tax Levy	Prior Year Net Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
			General	Debt Service	Levied	Collected	
2015	\$ 7,206,280	\$ 533,390	13.750	32.250	\$ 24,535	\$ 24,519	99.93 %
2016	6,838,120	506,140	13.750	32.250	23,282	23,282	100.00
2017	6,309,020	475,910	13.750	32.250	21,892	21,892	100.00
2018	6,535,380	492,980	13.750	32.250	22,677	22,677	100.00
2019	7,885,200	314,560	7.500	40.000	14,941	14,474	96.87
Estimated for the year ending December 31, 2020	\$ 8,917,080	\$ 141,430	7.500	40.000	\$ 6,718		