

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2019

with

Independent Auditors' Report

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position – Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Governmental Funds	2
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund	22
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Capital Projects Fund	23
Schedule of Debt Service Requirements to Maturity	24



1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fossil Ridge Metropolitan District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Fossil Ridge Metropolitan District No. 1, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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 Fossil Ridge Metropolitan District No. 1, 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 of America.

Other Matters

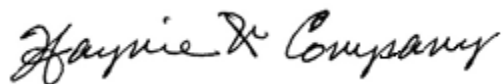
Required Supplementary Information

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 Fossil Ridge Metropolitan District No. 1's basic financial statements. The supplemental and other information, as 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 supplemental and other information, as listed in the table of contents, 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 other supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.



Littleton, Colorado
July 22, 2020

BASIC FINANCIAL STATEMENTS

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2019

Assets	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Net Position
Cash and investments - unrestricted	\$ 275,796	\$ -	\$ 928,161	\$ 1,203,957	\$ -	\$ 1,203,957
Cash and investments - restricted	-	1,812,059	-	1,812,059	-	1,812,059
Accounts receivable - assessments	8,939	-	-	8,939	-	8,939
Accounts receivable - developer	-	-	10,360	10,360	-	10,360
Due from other funds	130,454	-	-	130,454	(130,454)	-
Due from other districts	321,862	402,722	-	724,584	-	724,584
Deposits	20,000	-	19,070	39,070	-	39,070
Prepaid expenditures	1,237	-	-	1,237	-	1,237
Property taxes receivable	12,806	-	-	12,806	-	12,806
Capital assets not being depreciated	-	-	-	-	36,729,705	36,729,705
Capital assets, net of accumulated depreciation	-	-	-	-	6,182,680	6,182,680
Total Assets	<u>\$ 771,094</u>	<u>\$ 2,214,781</u>	<u>\$ 957,591</u>	<u>\$ 3,943,466</u>	<u>\$ 42,781,931</u>	<u>\$ 46,725,397</u>
Liabilities						
Accounts payable	151,995	-	109,169	261,164	-	261,164
Prepaid assessments	135,708	-	-	135,708	-	135,708
Due to other funds	-	130,454	-	130,454	(130,454)	-
Due to other districts	-	361,436	-	361,436	-	361,436
Retainage payable	-	-	190,560	190,560	-	190,560
Accrued interest on bonds	-	-	-	-	48,092	48,092
Long-term liabilities:						
Due within one year	-	-	-	-	100,000	100,000
Due in more than one year	-	-	-	-	75,668,823	75,668,823
Total Liabilities	<u>287,703</u>	<u>491,890</u>	<u>299,729</u>	<u>1,079,322</u>	<u>75,686,461</u>	<u>76,765,783</u>
Fund Balance/Net Position						
Fund Balance						
Non-spendable:						
Prepaid expenditures	1,237	-	-	1,237	(1,237)	-
Deposits	20,000	-	19,070	39,070	(39,070)	-
Restricted						
Emergency reserve	70,500	-	-	70,500	(70,500)	-
Debt service	-	1,722,891	-	1,722,891	(1,722,891)	-
Assigned						
Capital projects	-	-	320,561	320,561	(320,561)	-
Reserve fund	391,654	-	318,231	709,885	(709,885)	-
Total Fund Balance	<u>483,391</u>	<u>1,722,891</u>	<u>657,862</u>	<u>2,864,144</u>	<u>(2,864,144)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 771,094</u>	<u>\$ 2,214,781</u>	<u>\$ 957,591</u>	<u>\$ 3,943,466</u>		
Net Position						
Restricted for:						
Emergencies					70,500	70,500
Debt service					1,674,799	1,674,799
Unrestricted						
Total Net Position (Deficit)					<u>(31,785,685)</u>	<u>(31,785,685)</u>
					<u>\$ (30,040,386)</u>	<u>\$ (30,040,386)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General	Debt Service	Capital Projects	Total	Adjustments	Statement of Activities
Expenditures						
Property management	\$ 74,104	\$ -	\$ -	\$ 74,104	\$ -	\$ 74,104
Accounting and audit	30,076	-	-	30,076	-	30,076
District management	72,488	-	-	72,488	-	72,488
Insurance	35,880	-	-	35,880	-	35,880
Legal	179,558	-	-	179,558	-	179,558
Reserve study update	17,000	-	-	17,000	-	17,000
Website	2,625	-	-	2,625	-	2,625
Grounds	541,668	-	-	541,668	-	541,668
Retreat expenses	249,046	-	-	249,046	-	249,046
Utilities	164,013	-	-	164,013	-	164,013
Sewer operations	401,398	-	-	401,398	-	401,398
Miscellaneous	2,493	-	-	2,493	-	2,493
Maintenance fees	59,795	-	-	59,795	-	59,795
Property tax reimbursements	12,806	-	-	12,806	-	12,806
Bond principal - Series 2010	-	90,000	-	90,000	(90,000)	-
Bond interest - Series 2010	-	583,625	-	583,625	(543)	583,082
Paying agent fees	-	4,500	-	4,500	-	4,500
Capital improvements	-	-	66,154	66,154	(66,154)	-
Depreciation	-	-	-	-	384,572	384,572
Interest on developer advances - operations	-	-	-	-	48,495	48,495
Interest on developer advances - capital	-	-	-	-	3,392,666	3,392,666
Total Expenditures	<u>1,842,950</u>	<u>678,125</u>	<u>66,154</u>	<u>2,587,229</u>	<u>3,669,036</u>	<u>6,256,265</u>
Program Revenues						
System development fees	-	-	72,810	72,810	-	72,810
Homeowner assessments	1,227,667	-	-	1,227,667	-	1,227,667
Sewer service fees	215,403	-	-	215,403	-	215,403
Sewer operations fees	93,524	-	-	93,524	-	93,524
Sewer administration fees	27,910	-	-	27,910	-	27,910
Maintenance fees	79,802	-	-	79,802	-	79,802
Amenity user fees	48,064	-	-	48,064	-	48,064
Late and legal fees	13,664	-	-	13,664	-	13,664
Property taxes	12,806	-	-	12,806	-	12,806
Conservation trust fund	-	-	3,141	3,141	-	3,141
Miscellaneous	-	-	88,085	88,085	-	88,085
Total Program Revenues	<u>1,718,840</u>	<u>-</u>	<u>164,036</u>	<u>1,882,876</u>	<u>-</u>	<u>1,882,876</u>
General Revenues						
Transfer from District No. 2	227,000	246,830	-	473,830	-	473,830
Transfer from District No. 3	400,000	402,722	-	802,722	-	802,722
Interest	908	28,573	4,730	34,211	-	34,211
Total General Revenues	<u>627,908</u>	<u>678,125</u>	<u>4,730</u>	<u>1,310,763</u>	<u>-</u>	<u>1,310,763</u>
Excess of Expenditures over (under) Revenues	503,798	-	102,612	606,410	(3,669,036)	(3,062,626)
Other Financing Sources (Uses)						
Transfers (to) from other funds	(225,000)	-	225,000	-	-	-
Developer advances	-	-	88,189	88,189	(88,189)	-
Total Other Financing Sources	<u>(225,000)</u>	<u>-</u>	<u>313,189</u>	<u>88,189</u>	<u>(88,189)</u>	<u>-</u>
Change in Fund Balance	278,798	-	415,801	694,599	(694,599)	-
Change in Net Position					(3,062,626)	(3,062,626)
Fund Balance/Net Position						
Beginning of Year	<u>204,593</u>	<u>1,722,891</u>	<u>242,061</u>	<u>2,169,545</u>	<u>(29,147,305)</u>	<u>(26,977,760)</u>
End of Year	<u>\$ 483,391</u>	<u>\$ 1,722,891</u>	<u>\$ 657,862</u>	<u>\$ 2,864,144</u>	<u>\$ (32,904,530)</u>	<u>\$ (30,040,386)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2019

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Homeowner assessments	\$ 1,245,500	\$ 1,227,667	\$ (17,833)
Sewer service fees	266,000	215,403	(50,597)
Sewer operations fees	93,500	93,524	24
Sewer administration fees	28,000	27,910	(90)
Maintenance fees	64,000	79,802	15,802
Amenity user fee	75,000	48,064	(26,936)
Late and legal fees	-	13,664	13,664
Property taxes	-	12,806	12,806
Transfer from District No. 2	227,419	227,000	(419)
Transfer from District No. 3	375,546	400,000	24,454
Interest	-	908	908
Miscellaneous	5,000	-	(5,000)
Total Revenues	<u>2,379,965</u>	<u>2,346,748</u>	<u>(33,217)</u>
Expenditures			
Property management	53,000	74,104	(21,104)
Accounting	80,000	21,024	58,976
Audit	13,000	9,052	3,948
District management	80,000	72,488	7,512
Legal - general	60,000	158,728	(98,728)
Legal - litigation	20,000	20,830	(830)
Reserve study update	10,000	17,000	(7,000)
Insurance	55,000	35,880	19,120
Website	5,000	2,625	2,375
Grounds	603,100	541,668	61,432
Retreat expenses	316,890	249,046	67,844
Utilities	210,800	164,013	46,787
Sewer operations	387,500	401,398	(13,898)
Maintenance fees	78,000	59,795	18,205
Property tax reimbursements	-	12,806	(12,806)
Miscellaneous	-	2,493	(2,493)
Emergency reserves	71,399	-	71,399
Total Expenditures	<u>2,043,689</u>	<u>1,842,950</u>	<u>200,739</u>
Excess of Revenues over Expenditures	<u>336,276</u>	<u>503,798</u>	<u>167,522</u>
Other Financing Uses			
Transfers to Capital Fund	(225,000)	(225,000)	-
Total Other Financing Uses	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net Change in Fund Balance	111,276	278,798	167,522
Beginning Fund Balance	<u>275,402</u>	<u>204,593</u>	<u>(70,809)</u>
Ending Fund Balance	<u>\$ 386,678</u>	<u>\$ 483,391</u>	<u>\$ 96,713</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 1 (District), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal corporation and political subdivision of the State of Colorado pursuant to the Colorado Special District Act. At the time of formation, the Fossil Ridge Metropolitan District No. 2 (District No. 2) and the Fossil Ridge Metropolitan District No. 3 (District No. 3) were also organized. All three districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that the District is the “Operating District” and District No. 2 and District No. 3 are the “Taxing Districts”. The Taxing Districts are to provide funding to the Operating District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The Operating District’s primary revenues are homeowner assessments, various fees, developer advances and transfers from the Taxing Districts. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by GASB.

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 – Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures and change in fund balance/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 time of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Government 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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-time obligation is paid.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

The District reports the following major governmental funds:

General Fund – the General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of public notification and hearing requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 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 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on the property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-time method over the following estimated useful lives:

Recreation center	25 years
Equipment	5-7 years
Sanitation	40 years

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/due from other funds”. These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District’s management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Property taxes are levied by a special 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 that 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 taxpayers’ election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the special district.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Since its organization and through December 31, 2017, the District had no appreciable assessed valuation and, therefore, did not certify a mill levy. On February 21, 2018, the Jefferson County District Court, in Case No. 2005CV3044, issued an order including into the District 53 residential properties. In late 2018, the District’s Board of Directors adopted the budget for the District for 2019 and approved a resolution that certified a property tax of zero mills, consistent with the Board’s intent not to assess a property tax against the 53 properties included into the District in 2018; however, due to a clerical error by the District’s management company, 5.000 mills in property tax were certified to Jefferson County for assessment against the 53 properties included into the District in 2018. Immediately upon discovering the error, the District notified the County and requested that it not certify the property tax; however, the County declined to correct the error. The 5.000 mills generated \$12,806 in tax revenue from the properties in 2019. This tax revenue was reimbursed by the District to each respective taxpayer in 2019, to achieve the District Board’s original intent not to assess a property tax against the 53 properties included into the District in 2018.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$21,237 represents \$1,237 in prepaid expenditures and \$20,000 in deposits.

The nonspendable fund balance in the Capital Projects Fund in the amount of \$19,070 represents a deposit.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents emergency reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$70,500 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,722,891 is restricted for the payment of the debt service costs associated with the 2010 Tax-Supported Revenue Refunding Bonds (see Note 4) as well as bond proceeds held by the trustee as a "reserve requirement".

Committed Fund Balance

Committed fund balance is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

As part of the Capital Projects Fund, the District has established an Assigned Reserve Fund related to repairs and maintenance of existing District assets. Each year, the District's Board of Directors approves a specific amount to add to this Assigned Reserve Fund as part of the annual budget process. The District's Board of Directors must specifically approve expenditures that are to be paid from the Assigned Reserve Fund. The Assigned Reserve Fund balance at the end of 2019 was \$318,231. The remaining Assigned Fund Balance of \$320,561 is set aside for future capital projects.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Note 2: Cash and Investments

As of December 31, 2019, cash and investments are classified in the accompanying statement of net position as follows:

Cash and investments – unrestricted	\$ 1,203,957
Cash and investments – restricted	<u>1,812,059</u>
Total	<u>\$ 3,016,016</u>

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

Deposits with financial institutions	\$ 1,024,110
Investments – COLOTRUST	185,768
Investments – Federated Treasury	<u>1,806,138</u>
Total	<u>\$ 3,016,016</u>

Deposits:

Custodial Care Risk

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk. At December 31, 2019, the District’s cash deposits had a bank balance of \$1,090,180 and a carrying balance of \$1,024,110.

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investments are not required to be categorized within the fair value hierarchy. The investment value in COLOTRUST is calculated using the net asset value method (NAV) per share. The investment value for the Federated Treasury Obligations Fund is not categorized.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2019, the District had the following investments:

Federated Treasury Obligations Fund

During 2019, the District's funds that were included in the trust accounts at UMB Bank were invested in the Federated Treasury Obligations Fund. The fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. As of December 31, 2019, the District had \$1,806,138 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST or Trust) is rated AAAM by S&P Global Ratings with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2019, the District had \$185,768 invested in COLOTRUST.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Note 3: Capital Assets

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

<u>Governmental Type Activities</u>	<u>Balance 1/1/2019</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance 12/31/2019</u>
Capital assets not being depreciated:				
Construction in progress	\$ 26,327,922	\$ 41,200	\$ 51,397	\$ 26,317,725
Parks and recreation	10,411,980	-	-	10,411,980
Total capital assets not being depreciated:	<u>36,739,902</u>	<u>41,200</u>	<u>51,397</u>	<u>36,729,705</u>
Capital assets being depreciated:				
Recreation center and equipment	8,217,795	24,954	-	8,242,749
Sanitation	1,910,117	-	-	1,910,117
Total capital assets being depreciated:	<u>10,127,912</u>	<u>24,954</u>	<u>-</u>	<u>10,152,866</u>
Less accumulated depreciation:				
Recreation center	3,236,940	336,819	-	3,573,759
Sanitation	348,674	47,753	-	396,427
Total accumulated depreciation:	<u>3,585,614</u>	<u>384,572</u>	<u>-</u>	<u>3,970,186</u>
Net capital assets being depreciated:	<u>6,542,298</u>	<u>(359,618)</u>	<u>-</u>	<u>6,182,680</u>
Government type assets, net	<u>\$ 43,282,200</u>	<u>\$ (318,418)</u>	<u>\$ 51,397</u>	<u>\$ 42,912,385</u>

Upon completion and acceptance, all fixed assets except for the recreation center, sanitation, parks and landscaping will be conveyed by the District to other local governments. The District will not be responsible for maintenance except as noted in the First Amended and Restated Intergovernmental Agreement Between The City of Lakewood and Fossil Ridge Metropolitan District No. 1 Relating to Maintenance.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Note 4: Long-Term Obligations

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

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Current</u> <u>Portion</u>
Developer advances					
Capital - principal	\$ 56,525,984	\$ 88,189	\$ -	\$ 56,614,173	\$ -
Capital - interest	6,574,808	3,392,666	-	9,967,474	-
Operations - principal	808,257	-	-	808,257	-
Operations - interest	370,424	48,495	-	418,919	-
Series 2010 - Tax-supported refunding revenue bonds	8,050,000	-	90,000	7,960,000	100,000
	<u>\$ 72,329,473</u>	<u>\$ 3,529,350</u>	<u>\$ 90,000</u>	<u>\$ 75,768,823</u>	<u>\$ 100,000</u>

A description of long-term obligations as of December 31, 2019, is as follows:

Direct Borrowing Debt:

\$8,350,000 Tax-Supported Revenue Refunding Bonds – Series 2010

On September 28, 2010, the District issued \$8,350,000 of Tax-Supported Revenue Refunding Bonds, Series 2010 (Series 2010 Bonds). The bonds mature in increasing amounts beginning December 1, 2013. The bonds were issued for the purpose of advance refunding the Series 2009 Bonds, funding a debt service reserve and paying the cost of issuance. The bonds mature on December 1, 2040. The bonds bear interest at the rate of 7.25%, payable semiannually on June 1 and December 1, commencing on December 1, 2010. The bonds are subject to redemption prior to maturity on any date on or after December 1, 2020, as a redemption price equal to 100% of their principal amount plus accrued interest. The Series 2010 Bonds are secured by pledged revenues including ad valorem taxes and specific ownership taxes collected by the Taxing Districts beginning in 2010 per an Amended and Restated Joint Funding Agreement with District No. 2 and District No. 3 as approved on September 1, 2010.

In accordance with the Series 2010 Bonds provisions, a reserve fund was established in the amount of \$819,152. As of December 31, 2019, the reserve fund had a balance of \$843,973. These funds are to be used to make up any deficiencies relating to the timely payment of principal and interest.

Significant events of default under the Series 2010 Bonds include: (i) failure to meet financial and or custodial covenants, (ii) failure of District 2 to impose the required mill levy as set forth

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

in the Joint Funding Agreement, (iii) failure of District 3 to impose the required mill levy as set forth in the Joint Funding Agreement, (iv) failure to pay principal and interest when due and (v) legal proceedings including bankruptcy, insolvency, reorganization, etc. as described in the Series 2010 Bonds agreement.

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2010 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 577,100	\$ 677,100
2021	115,000	569,850	684,850
2022	130,000	561,512	691,512
2023	145,000	552,088	697,088
2024	165,000	541,575	706,575
2025 - 2029	1,140,000	2,499,075	3,639,075
2030 - 2034	1,820,000	1,995,200	3,815,200
2035 - 2039	2,810,000	1,201,687	4,011,687
2040	1,535,000	111,287	1,646,287
	<u>\$ 7,960,000</u>	<u>\$ 8,609,374</u>	<u>\$ 16,569,374</u>

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement (IGA) with the Taxing Districts. Per the IGA, the District is to construct, own, maintain and operate the facilities benefiting the Taxing Districts, which may include the borrowing of funds or issuance of revenue bonds. Since its organization and through December 31, 2017, the District had no appreciable assessed valuation and, therefore, did not certify a mill levy. On February 21, 2018, the Jefferson County District Court, in Case No. 2005CV3044, issued an order including into the District 53 residential properties; however, because those properties are also already included within the boundaries of one of the Taxing Districts, the District Board does not intend to assess a property tax against those properties.

As a result, the Taxing Districts are to pay all costs related to the construction, operation and maintenance of such facilities, including the payment of amounts owing in connection with bonds issued to finance such facilities. Such financial obligations are to be paid from bond proceeds, the Taxing Districts' annual certification of a mill levy, homeowner assessments and various fees, subject to the limitations of the Service Plan. The original maximum mill levy was 50 mills. However, at the time of their organization the Taxing Districts' voters authorized the Taxing Districts to adjust their property tax rate as necessary to receive the same revenue they would have received but for any reduction in the residential assessment rate required by the Gallagher Amendment to the Colorado Constitution. As a result of this prior voter

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

authorization, the current maximum mill levy is 55.664 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees and the transfers of funds between districts.

Joint Funding Agreements

On September 1, 2009, the District entered into a Joint Funding Agreement with the Taxing Districts to provide for the payment to the trustee of certain property taxes and specific ownership taxes collected by the Taxing Districts for the purpose of paying debt service on its Series 2009 Bonds. An Amended and Restated Joint Funding Agreement was approved on September 1, 2010, which allowed for the payment of the debt service related to the Series 2010 Bonds.

On December 22, 2014, the District entered into a 2014 Joint Funding Agreement with the Taxing Districts, pursuant to which the Taxing Districts will be obligated to impose a required mill levy for the purpose of providing for the payment of District No. 3's Series 2014 Bonds. All revenue payable to the trustee under the Funding Agreements constitute pledged revenue pledged to the payment of the Series 2010 Bonds and Series 2014 Bonds.

On December 7, 2016, the District entered into a First Amendment to Joint Funding Agreement which amended the Original Joint Funding Agreement to clarify that the term "estimated debt requirements" is to include all parity debt as well as bonds.

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, the District entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement with Brookfield Residential (Colorado), LLC formerly Carma (Colorado), Inc. (Developer or Brookfield). The agreement provides for the advancement by the Developer of certain moneys for capital improvements and operating and maintenance costs for an amount not to exceed \$91,000,000. The agreement also provides for the repayment of these advances using bond proceeds. The Districts are responsible for determining when bonds should be issued, based on numerous economic factors. The District No. 1 Board of Directors may, in its sole discretion, use other legally available funds to repay developer advances. Advances shall bear interest at a rate of 6% per annum from the date of the advance. The agreement also provides for the District to acquire any public improvements constructed by the Developer upon receipt of the proper engineer's certificate as to district eligibility. The repayment obligations by the District constitute a multiple fiscal year financial obligation and are not subject to annual appropriation; however, as discussed above, the repayment obligation is restricted to bond proceeds.

Debt Authorization

As of December 31, 2019, the District had remaining voted debt authorization of approximately \$704,650,000. The District did not issue new debt during 2019. Per the District's Service Plan, the District, in combination with the Taxing Districts, cannot issue

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt. As of December 31, 2019, the District and Fossil Ridge Metropolitan District No. 3 have issued \$7,000,000 and \$21,130,000, respectively, towards the general obligation debt authorization.

Note 5:

District Agreements

IGA with Green Mountain Water and Sanitation District – Extra-territorial Sewer Service

On January 15, 2008, the District entered into an Intergovernmental Agreement for Extra-territorial Sewer Service with the Green Mountain Water and Sanitation District (Green Mountain). The purpose of this agreement is to outline the responsibilities associated with the design and construction of the sewer system within the District as well as the collection of the associated system development fees and the billing for the ongoing sewer service. In 2014, the District and Green Mountain entered into an Amended and Restated Intergovernmental Agreement for Extra-Territorial Sewer Service which, among other things, provided for the collection of the system development fee payments.

IGA with Green Mountain Water and Sanitation District – Sewer System Maintenance and Repair

On September 19, 2008, the District entered into an Intergovernmental Agreement for Maintenance and Repair of Sewer System with Green Mountain. Per this agreement, Green Mountain will perform the maintenance and repair services and the District will compensate Green Mountain monthly based on a mutually agreed upon rate schedule.

IGA with the City of Lakewood – Maintenance

On April 22, 2008, the District entered into an Intergovernmental Agreement Relating to Maintenance with the City of Lakewood (Lakewood). The purpose of this agreement is to set forth the obligations of and the benefits to both parties in relation to the maintenance activities within the District. Lakewood's responsibilities will be comparable to its maintenance of other similar improvements throughout the city. This agreement terminates on December 31 of each year and automatically renews for successive one-year periods. On September 12, 2016, this agreement was amended by the First Addendum to First Amended and Restated Intergovernmental Agreement between the City of Lakewood and Fossil Ridge Metropolitan District No. 1 Relating to Maintenance. This Addendum relates only to the provisions pertaining to sign posts and frames within the District

Note 6:

Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

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.

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.

On November 7, 2006, 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 Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (Pool) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 8: Reconciliation of Government-Wide Financial Statements with Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) Long-term liabilities such as bonds payable, accrued bond interest payable, developer advances payable and accrued interest on developer advances are not due and payable in the current period and, therefore, are not in the funds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

The Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balance/Statement of Activities includes an adjustments column. The adjustments have the following elements.

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) Governmental funds report developer advances as revenue; however, these are reported as changes to long-term liabilities on the government-wide financial statements.

Note 9: Litigation

A. Consolidated Lawsuits - Case No. 2019CV31287 and Case No. 2019CV30905.

On June 11, 2019, R.E. Monks Construction Company, LLC (Monks) filed a Complaint for Foreclosure of Mechanic's Lien and Other Relief in the Jefferson County District Court, Case No. 2019CV30905, against Solterra, LLC (Solterra), alleging that Solterra had failed to pay Monks for certain excavation and grading services within the Solterra Development.

On August 21, 2019, Cesare, Inc. (Cesare) filed a Complaint for Foreclosure of Mechanic's Lien in the Jefferson County District Court, Case No. 2019CV31287, against Solterra, Brookfield (Colorado) Residential, LLC (Brookfield Residential), Monks, Hudick Excavating, Inc. d/b/a HEI Civil (HEI), and Holly Ryan in her capacity as Jefferson County Public Trustee. In its Complaint, Cesare asserted that Solterra had retained Brookfield Residential to serve as the general contractor in connection with certain construction activities within the Solterra Development. Brookfield Residential had, in turn, contracted with Cesare to perform certain geotechnical engineering and services in connection with the construction activities, but Brookfield Residential had failed to pay Cesare for such services. Cesare joined HEI as a defendant because on July 12, 2019 HEI had recorded a Notice of Extension – Lien Statement with the Jefferson County Clerk and Recorder against a portion of the property where Cesare asserted it provided its geotechnical engineering and services.

On September 30, 2019, HEI filed its Answer, Cross-Claim, Counterclaim and Third-Party Complaint for Foreclosure of Mechanic's Lien, naming the District, Brookfield (Colorado) Management, LLC d/b/a Brookfield Residential Properties and Brookfield Residential Services, LLC as third-party defendants.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2019

Following an Unopposed Motion to Consolidate filed by Solterra and Brookfield Residential, the Court in Case No. 2019CV31287 issued an Order on October 7, 2019 consolidating the matters into Case No. 2019CV30905.

On December 5, 2019, the District filed its Answer to HEI's Third-Party Complaint, which included numerous affirmative defenses, and asserted Crossclaims against Solterra, Brookfield Residential, Brookfield (Colorado) Management, LLC d/b/a Brookfield Residential Properties, and Brookfield Residential Services, LLC (collectively, the Brookfield Defendants) for Declaratory Judgment, Alter Ego (In the Alternative) and Unjust Enrichment (In the Alternative).

On December 18, 2019, the Court issued an Order dismissing "with prejudice" all claims between Monks, Solterra and Brookfield Residential. On January 7, 2020, the Court issued an Order dismissing "with prejudice" all claims between Cesare, Solterra and Brookfield Residential. On February 25, 2020, the Court issued an order dismissing "with prejudice" the claims between HEI and the Brookfield Defendants and dismissing "without prejudice" the claims between the District and the Brookfield Defendants. Accordingly, the consolidated lawsuits have been fully resolved and dismissed. The District has preserved its right to assert any claims or defenses it may have against the Brookfield Defendants in any future disputes.

B. Dispute with Independent District Engineering Services, LLC (IDES)

The District and Independent District Engineering Services, LLC (IDES) entered into an Independent Contractor Agreement dated June 10, 2015 pursuant to which IDES was obligated to perform certain civil engineering services for the District. By letter dated April 1, 2019, the District notified IDES that the District was terminating the Independent Contractor Agreement, effective May 2, 2019. By letter dated April 8, 2019, IDES asserted that the District owed IDES \$121,303 for engineering services IDES performed from February 2018 through April 1, 2019. The District disputed the amount claimed by IDES. In July, 2019, the District and IDES entered into a Settlement Agreement whereby the District paid IDES \$90,000 as full and final settlement of the disputed amount claimed by IDES and IDES provided the District with an Unconditional Waiver and Release of all claims. As a result, this matter is fully resolved.

C. Dispute with Nelson Pipeline Constructors, LLC

In 2016, Nelson Pipeline Constructors, LLC (Nelson) and the District entered a contract for Nelson to install underground piping in connection with a project commonly known as West Yale Avenue and South McIntyre Street Utility and Pedestrian Underpass Construction for the Solterra Community in Lakewood, Colorado (Project). Nelson submitted its Final Application for Payment on May 2, 2018 and requested payment from the District of the remaining retainage due to Nelson under the contract in the total amount of \$54,570 (Retainage). The District requested that Nelson provide as-built drawings and take other actions prior to the District proceeding with acceptance of the Project in

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2019

accordance with the contract. Disputes arose between the parties as to what actions, if any, were required by Nelson prior to the District proceeding with acceptance of the Project and Nelson's warranty obligations under the contract.

On January 23, 2020, Nelson and the District entered into a Retainage and Warranty Agreement, pursuant to which the District agreed to release the Retainage upon the satisfaction of certain conditions by Nelson and its subcontractor, CTL Thompson, Inc. All requirements were subsequently satisfied, and the District released the Retainage to Nelson. Accordingly, this matter is fully resolved.

SUPPLEMENTAL INFORMATION

**FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Transfer from District No. 2	\$ 258,638	\$ 246,830	\$ (11,808)
Transfer from District No. 3	421,987	402,722	(19,265)
Interest	-	28,573	28,573
Total Revenues	<u>680,625</u>	<u>678,125</u>	<u>(2,500)</u>
Expenditures			
Bond principal - Series 2010	90,000	90,000	-
Bond interest - Series 2010	583,625	583,625	-
Paying agent fee	5,000	4,500	500
Miscellaneous	2,000	-	2,000
Total Expenditures	<u>680,625</u>	<u>678,125</u>	<u>2,500</u>
Net Change in Fund Balance	-	-	-
Beginning Fund Balance	<u>1,816,480</u>	<u>1,722,891</u>	<u>(93,589)</u>
Ending Fund Balance	<u>\$ 1,816,480</u>	<u>\$ 1,722,891</u>	<u>\$ (93,589)</u>

**FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2019**

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Development fees	\$ 115,600	\$ 61,200	\$ (54,400)
Storm drainage fees	17,000	9,000	(8,000)
Administrative set up fee	5,742	2,610	(3,132)
Conservation trust fund	3,200	3,141	(59)
Miscellaneous	1,200	88,085	86,885
Interest	500	4,730	4,230
Total Revenues	<u>143,242</u>	<u>168,766</u>	<u>25,524</u>
Expenditures			
Accounting	3,000	-	3,000
Reserve expenses	-	24,954	(24,954)
Engineering	100,000	-	100,000
Capital improvements	100,000	41,200	58,800
Total Expenditures	<u>203,000</u>	<u>66,154</u>	<u>136,846</u>
Excess of Expenditures over Revenues	(59,758)	102,612	162,370
Other Financing Sources			
Transfers from General Fund	-	225,000	225,000
Developer advances	-	88,189	88,189
Total Other Financing Sources	<u>-</u>	<u>313,189</u>	<u>313,189</u>
Net Change in Fund Balance	(59,758)	415,801	475,559
Beginning Fund Balance	<u>360,891</u>	<u>242,061</u>	<u>(118,830)</u>
Ending Fund Balance			
Assigned - Capital Projects	-	339,631	
Assigned - Reserve Fund	-	318,231	
	<u>\$ 301,133</u>	<u>\$ 657,862</u>	<u>\$ 356,729</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2019

\$8,350,000 Tax-Supported Revenue Bonds

Series 2010

Interest Rate 7.25%

Payable June 1 and December 1

Principal due December 1

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 577,100	\$ 677,100
2021	115,000	569,850	684,850
2022	130,000	561,512	691,512
2023	145,000	552,088	697,088
2024	165,000	541,575	706,575
2025	185,000	529,612	714,612
2026	205,000	516,200	721,200
2027	225,000	501,338	726,338
2028	250,000	485,025	735,025
2029	275,000	466,900	741,900
2030	300,000	446,962	746,962
2031	330,000	425,213	755,213
2032	360,000	401,287	761,287
2033	395,000	375,188	770,188
2034	435,000	346,550	781,550
2035	470,000	315,012	785,012
2036	515,000	280,938	795,938
2037	560,000	243,600	803,600
2038	605,000	203,000	808,000
2039	660,000	159,137	819,137
2040	1,535,000	111,287	1,646,287
	<u>\$ 7,960,000</u>	<u>\$ 8,609,374</u>	<u>\$ 16,569,374</u>