

RICHARDS FARM METROPOLITAN DISTRICT

ARVADA
JEFFERSON COUNTY, COLORADO



FINANCIAL STATEMENTS
As of and for the 12-month period ended
December 31, 2019

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Richards Farm Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Richards Farm Metropolitan District 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.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Richards Farm Metropolitan District, 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 Richards Farm Metropolitan District's basic financial statements. The Supplementary Information and the Other Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Other Supplementary Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Daggio & Associates, P.C.

July 7, 2020

RICHARDS FARM METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 53,603
Cash and investments – restricted	131,059
Accounts receivable – specific ownership taxes	3,096
Accounts receivable – due from builder	5,400
Property taxes receivable	451,964
Prepaid expenses	400
Capital assets, net of depreciation	562,650
Land	3,970
Total Assets	1,212,142
LIABILITIES	
Accounts payable and accrued liabilities	37,183
Accrued interest payable	18,303
Current portion of Senior Loan payable	25,000
Senior Loan payable	3,875,000
Series 2019B Subordinate Limited Tax GO Bonds	464,000
Total Liabilities	4,419,486
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	451,964
NET POSITION	
Restricted:	
Emergency reserves	6,300
Unrestricted:	(3,665,608)
Total Net Position	(\$ 3,659,308)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

RICHARDS FARM METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended December 31, 2019

Functions/Programs	Expenses	Charges For Services	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General government activities	(\$ 184,065)	\$ 600	\$ 5,550	\$ -	(\$ 177,915)
Interest and related costs on long-term debt	(884,700)	-	90,000	-	(794,700)
Capital project activities	(2,453,237)	-	-	-	(2,453,237)
	<u>(\$3,522,002)</u>	<u>\$ 600</u>	<u>\$ 95,550</u>	<u>\$ -</u>	<u>(3,425,852)</u>
General Revenues					
					420,262
					35,809
					7,225
					<u>463,296</u>
					(2,962,556)
					<u>(696,752)</u>
					<u>(\$ 3,659,308)</u>

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

RICHARDS FARM METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2019

	General	Debt Service	Capital Projects	Total Government Funds
ASSETS				
Cash and investments	\$ 49,961	\$ 3,642	\$ -	\$ 53,603
Cash and investments - Restricted	6,300	25,187	99,572	131,059
Accounts receivable – spec ownership taxes	1,307	1,789	-	3,096
Accounts receivable-due from Meritage	5,400	-	-	5,400
Property taxes receivable	190,789	261,175	-	451,964
Prepaid expenses	400	-	-	400
TOTAL ASSETS	\$ 254,157	\$ 291,793	\$ 99,572	\$ 645,522
LIABILITIES				
Accounts payable and accrued liabilities	\$ 13,183	\$ 24,000	\$ -	\$ 37,183
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	190,789	261,175	-	451,964
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	203,972	285,175	-	489,147
FUND BALANCES				
Non-spendable	400	-	-	400
Restricted:				
Emergencies (TABOR)	6,300	-	-	6,300
Debt service	-	6,618	-	6,618
Capital projects	-	-	99,572	99,572
Unassigned	43,485	-	-	43,485
Total Fund Balances	50,185	6,618	99,572	156,375
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 254,157	\$ 291,793	\$ 99,572	

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds	
Property, structures and equipment, net	562,650
Land	3,970
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Long-term debt payable	(4,364,000)
Accrued interest payable	(18,303)
Net position of governmental activities	<u>(\$3,659,308)</u>

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

RICHARDS FARM METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended December 31, 2019

	General	Debt Service	Capital Projects	Total Government Funds
REVENUES				
Property taxes	\$ 177,409	\$ 242,853	\$ -	\$ 420,262
Specific ownership taxes	15,116	20,693	-	35,809
Transfer fees	600	-	-	600
Builder / Developer contributions	5,550	90,000	-	95,550
Net investment income	27	7,198	-	7,225
Total revenues	198,702	360,744	-	559,446
EXPENDITURES				
General and administration	120,150	9,395	-	129,545
Landscaping maintenance	35,548	-	-	35,548
Trash pick-up service	21,299	-	-	21,299
Other district expenses	4,966	-	-	4,966
Debt service				
Bond interest	-	80,500	-	80,500
Debt issuance costs	-	333,120	-	333,120
Public infrastructure acquisitions	-	-	-	-
Total Expenditures	181,963	423,015	-	604,978
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,739	(62,271)	-	(45,532)
OTHER FINANCING SOURCES (USES)				
Fund transfers	-	(849,450)	849,450	-
Proceeds from Senior Loan payable	-	3,900,000	-	3,900,000
Proceeds from Series 2019B bond issuance	-	464,000	-	464,000
Defeasance of Series 2015A and 2015B Bonds	-	(3,811,863)	-	(3,811,863)
Repayment of developer advances	(52,097)	-	(749,878)	(801,975)
Other Financing Sources (Uses), Net	(52,097)	(297,313)	99,572	(249,838)
NET CHANGE IN FUND BALANCE	(35,358)	(359,584)	99,572	(295,370)
FIND BALANCES – BEGINNING OF YEAR	85,543	366,202	-	451,745
FUND BALANCES – END OF YEAR	\$ 50,185	\$ 6,618	\$ 99,572	\$ 156,375

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

RICHARDS FARM METROPOLITAN DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
12-Month Period Ended December 31, 2019

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

Net change in fund balances – Total government funds	(\$ 295,370)
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The issuance of long-term debt (e.g., bonds) 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 assets. 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.

Issuance of Series 2019 Senior Loan	(3,900,000)
Issuance of Series 2019B Bonds	(464,000)
Defeasance of Series 2015A Bonds - Principal	2,800,000
Defeasance of Series 2015B Bonds - Principal	510,000
Defeasance of Series 2015A Bonds – Accrued Interest	80,500
Defeasance of Series 2015B Bonds – Accrued Interest	177,310
Defeasance of Series 2015A Bonds - Bond Discount	(40,632)
Repayment of developer advances – Infrastructure acquisition agreement	749,878
Repayment of developer advances – Operating Agreement	52,097

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. Therefore, this is the net capital outlay activity for the year:

Public infrastructure dedicated to the City	(2,423,887)
Depreciation expense on property, structures and equipment	(29,350)

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

Amortization of Series 2015A Bond discount	(2,019)
Accrued interest on Series 2015A and Series 2015B Bonds	(114,459)
Accrued interest – Infrastructure Acquisition Agreement w Developer	(42,219)
Accrued interest – Operating Agreement w Developer	(2,102)
Increase in accrued interest payable on Series 2019 debt	(18,303)

Changes in net position of governmental activities	(\$ 2,962,556)
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These financial statements should be read only in connection with
the accompanying notes to the financial statements.

RICHARDS FARM METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amend Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
1. Property taxes	\$ 177,408	\$ 177,408	\$ 177,409	\$ 1
2. Specific ownership taxes	10,645	10,645	15,116	4,471
3. Transfer fees	6,000	6,000	600	(5,400)
4. Builder / Developer contributions	5,400	5,400	5,550	150
5. Net investment income	1,100	1,100	27	(1,073)
Total revenues	<u>200,553</u>	<u>200,553</u>	<u>198,702</u>	<u>(1,851)</u>
EXPENDITURES				
6. General and administration	99,780	141,103	120,150	20,953
7. Landscaping maintenance	42,935	35,600	35,548	52
8. Trash pick-up expenses	18,600	21,300	21,299	1
9. Other district expenses	8,360	4,900	4,966	(66)
Total expenditures	<u>169,675</u>	<u>202,903</u>	<u>181,963</u>	<u>20,940</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>30,878</u>	<u>(2,350)</u>	<u>16,739</u>	<u>19,089</u>
OTHER FINANCING SOURCES (USES)				
10. Transfers in (out)	-	-	-	-
11. Repayment of developer advances	(40,000)	(52,097)	(52,097)	-
Total other financing sources (uses)	<u>(40,000)</u>	<u>(52,097)</u>	<u>(52,097)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(9,122)</u>	<u>(54,447)</u>	<u>(35,358)</u>	<u>19,089</u>
FUND BALANCE – BEGINNING OF YEAR	<u>78,531</u>	<u>78,531</u>	<u>85,543</u>	<u>7,012</u>
FUND BALANCE – END OF YEAR	<u><u>\$ 69,409</u></u>	<u><u>\$ 24,084</u></u>	<u><u>\$ 50,185</u></u>	<u><u>\$ 26,101</u></u>

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

**RICHARDS FARM METROPOLITAN DISTRICT
GENERAL FUND EXPENDITURE
DETAILS– BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019**

	Original Budget	Amend Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
GENERAL AND ADMINISTRATION				
1. District management fees	\$ 39,400	\$ 42,400	\$ 42,363	\$ 37
2. Covenant enforcement services	-	-	-	-
3. Administrative and collection costs	807	1,700	1,708	(8)
4. Audit fees	4,700	4,700	4,700	-
5. Collection fees – County Treasurer	2,661	2,700	2,662	38
6. Board of Directors’ fees	-	-	-	-
7. Board training and conferences	-	-	-	-
8. Insurance	5,000	6,000	6,005	(5)
9. Legal fees	37,000	62,700	62,712	(12)
10. Contingency	10,212	20,903	-	20,903
Total General and Administration	\$ 99,780	\$ 141,103	\$ 120,150	\$ 20,953
LANDSCAPING MAINTENANCE				
1. Ground maintenance services	\$ 19,500	\$ 18,800	\$ 18,875	(\$ 75)
2. Tree maintenance/replacement	-	-	-	-
3. Perimeter fence maintenance	-	3,000	2,994	6
4. Monument sign maintenance	-	600	640	(40)
5. Pet waste control	-	2,700	2,625	75
6. Sprinkler repairs	1,225	700	660	40
7. Sprinklers – water	9,610	8,500	8,510	(10)
8. Sprinklers – electricity	200	200	144	56
9. Grounds improvements	12,400	1,100	1,100	-
10. Miscellaneous costs	-	-	-	-
Total Landscaping Maintenance	\$ 42,935	\$ 35,600	\$ 35,548	\$ 52
OTHER DISTRICT EXPENSES				
1. Snow removal	\$ 7,360	\$ 4,900	\$ 4,966	(\$ 66)
2. Social activities	1,000	-	-	-
3. Newsletter publications	-	-	-	-
4. Vandalism	-	-	-	-
Total Other District Expenses	\$ 8,360	\$ 4,900	\$ 4,966	(\$ 66)

These financial statements should be read only in connection with
the accompanying notes to the financial statements.

RICHARDS FARM METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2019

NOTE 1 – DEFINITION OF REPORTING ENTITY

Richards Farm Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on September 03, 2015, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by City of Arvada (City) on April 06, 2015. The District's service area is located in Jefferson County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, sanitary sewer, storm drainage and other improvements (Public Improvements) within and without the District boundaries for the benefit of the taxpayers and inhabitants of the District. The District was also established to (1) maintain various open spaces within the District (not otherwise owned and maintained by the City), (2) maintain perimeter fencing, and (3) provide covenant enforcement and architectural review services.

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 organizations 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 organizations 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 significant accounting policies of the District are as follows:

Government-wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred inflows and the sum of liabilities and deferred outflows of the District is reported as net position.

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

These notes are an integral part of the accompanying financial statements.

benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term 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.

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

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 funds for the ensuing year. The appropriation is at the total fund expenditures 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 established by State law. The budget includes each fund on its basis of accounting unless otherwise indicated.

On November 12, 2019, the District's Board held a public hearing to amend the District's 2019 budget to (1) increase expenditures in the operating fund from \$209,675 to \$255,000, (2) increase expenditures in the debt fund from

These notes are an integral part of the accompanying financial statements.

\$173,000 to \$4,450,000 and (3) increase expenditures in the capital project fund from \$0 to \$825,000. The Board unanimously approved the proposed amended 2019 budget.

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.

Investments are carried at fair value.

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.

On November 3, 2015, District voters authorized the District to assess property taxes up to \$5,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

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

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2019, the District's share of Specific ownership taxes was equal to approximately 8.5% of property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Transfer Fees

On November 02, 2015 as amended on February 01, 2016 and December 03, 2018, the District adopted a resolution, pursuant to 32-1-1001(1)(j)(I) CRS, imposing a Transfer Fee upon all real property within the District (Transfer Fee Resolution). Specifically, a one-time \$600 Transfer Fee is payable to the District at the time an ownership transfer occurs on each Lot within the District. Certain ownership transfers including but not limited to transfer caused by

These notes are an integral part of the accompanying financial statements.

death or divorce are not subject to payment of the Transfer Fee. The Transfer Fee imposed on each lot is secured by a perpetual lien.

Operations Fees

On November 02, 2015 as amended on February 01, 2016, the District adopted a resolution, pursuant to 32-1-1001(1)(j)(I) CRS, imposing a monthly Operations Fee upon all real property within the District. On December 03, 2018, the District's Board amended the resolution eliminating the monthly Operations Fee imposed on each Lot.

Property Maintenance Fines

Covenant violation fines are assessed, in accordance with the District's covenant enforcement policy, against homeowners whom the District deems to be in violation of the restrictive covenants provided in the Covenants and Restrictions of Richards Farm filed with the Jefferson County Clerk & Recorder's Office on January 14, 2016 at reception number 2016004460 (the Declaration). Covenant violation fines are recognized as income after the violation has been identified, the homeowner has been notified and the period has expired for the homeowner to request a hearing to dispute the violation. Pursuant to 32-1-1001(1)(j)(I) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien.

Reimbursable Costs

Legal fees and other costs incurred by the District related to covenant enforcement actions and other services provided to specific properties within the District are charged back to the respective property owners. The District presents reimbursable costs on a net basis. Factors considered by the District in determining whether to present reimbursable cost chargeback revenue on a gross or net basis include whether risks exist that the District will be unable to recover such costs from property owners. Pursuant to 32-1-1001(1)(j)(I) CRS, fines and reimbursable costs are secured on and against each respective property by a perpetual lien, which has priority over all other encumbrances on a property.

Capital Assets

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 costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

When purchased or constructed, the District classifies newly acquired property, equipment and structures by functional area. The depreciable lives assigned to each functional area is as follows: perimeter fencing (20 years), monument signage (20 years), landscaping including sprinkler systems (15 years), and roads, curbs and sidewalks (40 years). The estimated depreciable lives assigned to each asset class are based on the assumption that such assets are reasonably and regularly maintained and used for their intended purpose.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month

These notes are an integral part of the accompanying financial statements.

period ended December 31, 2019 are comprised of property taxes due from Jefferson County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Liabilities

The District identifies and records liabilities that meet the following three essential characteristics of a liability as defined by FASB Concept Statement No. 6:

- 1) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand;
- 2) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice; and
- 3) the transaction or other event obligating the entity has already happened.

Agreements where amounts payable by the District are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution do not meet the definition of a liability and are considered contingent obligations.

Contingent Obligations

The District identifies and records contingent liabilities in accordance with GASB Statement 62, which defines a contingency as "...an existing condition, situation, or set of circumstances involving uncertainty as to possible [...] loss (referred to as a loss contingency) to a government that will ultimately be resolved when one or more future events occur or fail to occur."

The District accrues costs related to contracts with contingency clauses if both of the following conditions are met:

- (a) Information available prior to issuance of the financial statements indicates that it is "probable" (defined below) that [...] a liability had been incurred at the date of the financial statements. It is implicit in this condition that it should be probable that one or more future events will occur confirming the fact of the expense.
- (b) The amount of the cost can be reasonably estimated.

Probable is defined as an event or events that are likely to occur. Payments under contingent obligation agreements are considered probable if (1) such payments are reflected in the board-approved annual budget for the District and (2) sufficient revenue and funds from other financing sources exist to fund all expenditures and financing outflows reflected in the board-approved annual budget.

These notes are an integral part of the accompanying financial statements.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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: non-spendable, 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 a fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- ***Committed fund balance*** – The portion of a 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 a 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 a 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 policy to use the most restrictive classification first.

NOTE 3 – CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments – unrestricted	\$	53,603
Cash and investments – restricted		131,059
Total cash and investments	\$	184,662

These notes are an integral part of the accompanying financial statements.

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

Deposits with financial institutions	\$ 59,903
Investments	124,759
Total cash and investments	\$ 184,662

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$80,154 and a carrying balance of \$59,903.

Investments

The District has not adopted a formal investment policy. However, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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 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 purchase agreements collateralized by certain authorized securities

These notes are an integral part of the accompanying financial statements.

- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2019, the District’s investments were comprised of the following:

Investment	Maturity	Amortized Cost
Morgan Stanley Institutional Liquidity Fund (MSILF) Treasury Portfolio	Weighted Average Under 60 Days	\$ 124,532
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	227
		\$ 124,759

MSILF Treasury Fund

The District holds investments in the Morgan Stanley Institutional Liquidity Fund (MSILF) Treasury Portfolio, which is an investment vehicle approved for local government entities to pool surplus assets. MSILF invests in debt securities issued by the U.S. Treasury. MSILF measures its investments at amortized cost and the District records its investments in MSILF using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. No limitations exist on the District’s ability to withdraw funds invested in MSILF. MSILF is rated AAAM by Standard & Poor’s.

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$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. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. 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. No limitations exist on the District’s ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor’s.

These notes are an integral part of the accompanying financial statements.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the 12-month period ended December 31, 2019, follows:

	Balance at Dec. 31, 2018	Additions	Dedications	Balance at Dec. 31, 2019	Accumulated Depreciation
Capital assets not being depreciated					
Land	\$ -	\$ 3,970	\$ -	\$ 3,970	
Construction in process	3,019,857	-	(3,019,857)	-	
Total capital assets not being depreciated	3,019,857	3,970	(3,019,857)	3,970	
Capital assets subject to depreciation					
Perimeter fencing	-	277,000	-	277,000	(\$ 13,850)
Landscaping in open spaces	-	150,000	-	150,000	(10,000)
Monument sign	-	55,000	-	55,000	(2,750)
W 72 nd Ave road and curb	-	110,000	-	110,000	(2,750)
Total capital assets subject to depreciation	-	592,000	-	592,000	(29,350)
Governmental activities – Capital assets, net	\$ 3,019,857	\$ 595,970	(\$3,019,857)	\$ 595,970	(\$ 29,350)

On various dates in 2019, the Developer dedicated to the District five tracts of land (approximately 3.8 acres) located within the boundaries of the District. Improvements on these land tracts includes landscaping, perimeter fencing, entryway monument signage and W 72nd Avenue. The District does not anticipate acquiring any additional land from the Developer. The District has recorded the public land at a nominal value of \$3,970.

In 2015, the Developer entered into an agreement with the City of Arvada to construct certain public infrastructure within and without the boundaries of the District and dedicate such public infrastructure to the City of Arvada or to the District (Developer's Agreement). Construction in process generally consists of the following public infrastructure asset types: (1) streets, (2) street signs, (3) sidewalks, curbs and gutters, (4) water and sewer lines, (5) storm drainage system, (6) fire hydrants, (7) perimeter fencing, (8) landscaping in various public open space land tracts, (9) entryway monument signage and (10) storm water detention ponds. In 2018, the Developer dedicated to the City of Arvada and to the District the public infrastructure constructed per the Developer's Agreement.

These notes are an integral part of the accompanying financial statements.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2019:

	Balance at Dec. 31, 2018	Additions	Retirements	Balance at Dec. 31, 2019	Due within one year
Series 2015A G.O. Bonds	\$ 2,800,000	\$ -	(\$ 2,800,000)	\$ -	\$ -
Accrued Interest – Series 2017A G.O. Bonds	13,417	147,583	(161,000)	-	-
Series 2015B G.O. Bonds	510,000	-	(510,000)	-	-
Accrued Interest – Series 2015B G.O. Bonds	129,934	46,741	(176,675)	-	-
Series 2015A Bond Discount	(42,651)	-	42,651	-	-
Senior Loan Payable	-	3,900,000	-	3,900,000	25,000
Accrued Interest – Senior Loan Payable	-	16,733	-	16,733	-
Series 2019B G.O Bonds	-	464,000	-	464,000	-
Accrued Interest – Series 2019B G.O. Bonds	-	1,570	-	1,570	-
Total	\$ 3,410,700	\$4,576,627	(\$ 3,605,024)	\$ 4,382,303	\$ 25,000

Details regarding the District's long-term obligations are as follows:

Senior Loan Payable (Senior Loan)

On November 26, 2019, the District entered into an agreement with Academy Bank, N.A. to borrow \$3,900,000 (Senior Loan). Senior Loan bears interest at an annual rate of 4.35% until the Series 2015A and Series 2015B bonds are defeased (which is expected to occur in December 2020). After the Series 2015A and Series 2015B bonds are defeased, the Senior Loan will bear interest at the annual rate of 3.30%. Interest payments are payable semi-annually on June 1 and December 1, beginning on June 01, 2020. Annual mandatory principal payments are due on December 1, beginning on December 01, 2020. The Senior Loan matures on December 01, 2045. The District may prepay any additional principal payments due on the Senior Loan without penalty.

The proceeds from the Senior Loan were used to repay the Series 2015A and Series 2015B bonds in full and fund a portion of the costs related to completing this refinancing transaction. See note below for further details regarding the defeasance of the Series 2015A and Series 2015B bonds.

The Senior Loan is secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- a) all property tax revenues generated by the imposition of the Senior Required Debt Mill Levy;
- b) all specific ownership taxes attributable to the Senior Required Debt Mill Levy;
- c) any other legally available amounts that the District determines, in its sole discretion, to credit to the Senior Loan.

The Senior Required Mill Levy is defined in the Senior Loan Agreement as a rate that is sufficient to pay the principal of and interest on the Senior Loan, but such rate cannot exceed the Maximum Mill Levy (see "Debt Authorization – Service Plan" below) as established in the District's Service Plan.

These notes are an integral part of the accompanying financial statements.

The minimum annual principal payments and related interest payments due on the Senior Loan is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 25,000	\$ 169,650	\$ 194,650
2021	30,000	127,875	157,875
2022	35,000	126,885	161,885
2023	35,000	125,730	160,370
2024	40,000	124,575	164,575
2025 to 2029	275,000	599,775	874,775
2030 to 2034	420,000	545,655	965,655
2035 to 2039	615,000	463,980	1,078,980
2040 to 2044	875,000	346,170	1,221,170
2045	1,550,000	51,150	1,601,150
	<u>\$ 3,900,000</u>	<u>\$ 2,681,445</u>	<u>\$ 6,581,445</u>

The District's anticipates actual annual principal payments on the Senior Loan will exceed the minimum annual required principal payments. The District's schedule of planned debt service payments to maturity is provided on page 27.

Series 2019B Subordinate Limited Tax G.O. Bonds (Series 2019B Bonds)

On December 12, 2019, the District issued Subordinate Limited Tax G.O. Bonds, Series 2019B in the amount of \$464,000. The Series 2019B Bonds were issued at the compounding annual rate of 6.50% and are payable annually on December 15, beginning December 15, 2020, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2049. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

The Series 2019B Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- a) all property taxes revenues generated by the imposition of the Subordinate Required Mill Levy;
- b) all specific ownership taxes attributable to the Subordinate Required Mill Levy;
- c) any other legally available moneys which the District determines, in its sole discretion, to credit to the Series 2019B Bonds.

The Subordinate Required Mill Levy is defined in the Series 2019B Bond Offering Document as the Maximum Mill Levy (see "Debt Authorization – Service Plan" below) less the Senior Required Mill Levy.

These notes are an integral part of the accompanying financial statements.

The Series 2019B are subject to redemption prior to maturity, at the option of the District on December 01, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 15, 2024, to December 14, 2025	3.0%	\$ 13,920
December 15, 2025, to December 14, 2026	2.0%	\$ 9,280
December 15, 2026, to December 14, 2027	1.0%	\$ 4,640
December 15, 2027, and thereafter	0.0%	\$ -

Defeasance of Series 2015A and Series 2015B Bonds

On November 26, 2019, the District entered into an escrow agreement with UMB Bank, N.A. (Trustee) whereby the District agreed to deposit \$3,811,863 into an irrevocable escrow account for the purpose of refunding and defeasing the District's Series 2015A bonds and Series 2015B Subordinate bonds (Escrow Agreement). The cash proceeds deposited in the escrow account will be invested in non-callable director obligations of the United States and all interest income earned on such investments will be used for the purpose of refunding the Series 2015A and Series 2015B Bonds. The anticipated refunding date for the Series 2015A Bonds and Series 2015B Bonds is December 01, 2020 and December 15, 2020, respectively. Any remaining cash balance in the escrow account that exists after refunding the Series 2015A Bonds and Series 2015B Bonds in full will be returned to the District upon closure of the escrow account.

The Escrow Agreement entitles the holders of the Series 2015A Bonds and the Series 2015B Bonds to enforce performance and observance by the District and the Trustee of the respective agreements and covenants contained within the Escrow Agreement.

The defeasance of the Series 2015A Bonds and Series 2015B Bonds generated a net loss from debt defeasance calculated as follows:

Cash proceeds paid into irrevocable escrow account	\$ 3,811,863
Less Carrying value of debt at Nov. 26, 2019:	
Principal balance on Series 2015A Bonds	(2,800,000)
Principal balance on Series 2015B Bonds	(510,000)
Accrued interest on Series 2015A Bonds	(80,500)
Accrued interest on Series 2015B Bonds	(177,310)
Unamortized Bond Discount - Series 2015A Bonds	40,632
Net Loss from debt defeasance	\$ 284,685

Debt Authorization

Debt Authorization – Service Plan

The District's Service Plan authorizes the District to issue up to \$7 million in debt over a term not to exceed 40 years. The repayment of the District's debt can exceed 40 years if the majority of the District's Board are residents of the

These notes are an integral part of the accompanying financial statements.

District and the District's Board has voted in favor of refunding a part or all of the District's debt (which must result in a net present value savings).

The District's Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District's total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 40 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2004. As of January 1, 2004, the ratio was 7.96%. The ratio for 2019 was 7.20%, which caused the District's Maximum Mill Levy for debt service for 2019 to be 44.222.

As of December 31, 2019, total remaining debt issuance authorization under the District's Service Plan is \$2,876,970.

Debt Authorization – TABOR

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	Authorized Nov. 2015 Election	Authorization Used		Remaining Authorized Debt
		Series 2015A and 2015B Bonds	Senior Loan and Series 2019B Bonds	
Street improvements	\$ 7,000,000	(\$ 2,150,700)	(\$ 453,073)	\$ 4,396,227
Park and recreational facilities	7,000,000	(96,800)	(136,138)	6,767,062
Water supply systems	7,000,000	(301,800)	(63,576)	6,634,624
Storm water / sanitary sewer systems	7,000,000	(760,700)	(160,243)	6,079,057
Public transportation systems	7,000,000	-	-	7,000,000
Mosquito control facilities and equipment	7,000,000	-	-	7,000,000
Traffic and safety controls	7,000,000	-	-	7,000,000
Fire protection facilities and equipment	7,000,000	-	-	7,000,000
Television and relay	7,000,000	-	-	7,000,000
Security service facilities and equipment	7,000,000	-	-	7,000,000
Intergovernmental agreements	7,000,000	-	-	7,000,000
Private agreements	7,000,000	-	-	7,000,000
Operations and maintenance	7,000,000	-	-	7,000,000
Special assessment-secured debt	7,000,000	-	-	7,000,000
Multiple-year service contracts	7,000,000	-	-	7,000,000
Subtotal	105,000,000	(3,310,000)	(813,030)	100,876,970
Refunding of debt	7,000,000	-	-	7,000,000
Total	\$ 112,000,000	(\$ 3,310,000)	(\$813,030)	\$ 107,876,970

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire as follows:

- \$100,876,970 will expire in November 2035 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District's current general obligation debt is paid down to a balance of \$400,000 or less

These notes are an integral part of the accompanying financial statements.

NOTE 6 – CONTINGENT OBLIGATIONS

In prior years, the District entered into two contingent obligation agreements with the Developer (which is defined in Note 8). The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution.

Infrastructure Acquisition Agreement. On November 19, 2015, the District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement (the Reimbursement Agreement). The Reimbursement Agreement provides that the District reimburse the Developer for: (1) the costs relating to the formation of the District; (2) costs relating to the installation of public infrastructure within the District, including costs incurred prior to the execution of the Reimbursement Agreement; and (3) Developer advances, subject to certain requirements set forth in the Reimbursement Agreement. The Reimbursement Agreement provides for the structuring and timing of payments from the District to the Developer and sets forth certain procedures relating to the District's acquisition of and payment for public infrastructure. The contingent obligation bears simple interest at 8% per annum.

For the 12-month period ended December 31, 2019, District payments made, advances received, and interest accrued under the Reimbursement Agreement is as follows:

	Eligible Costs	Accrued Interest	Total
Beginning Balance (Jan. 01, 2019)	\$ 569,183	\$ 138,476	\$ 707,659
Additional advances	-	-	-
Accrued interest	-	42,219	42,219
Payments to the Developer	(569,183)	(180,695)	(749,878)
Ending Balance (Dec. 31, 2019)	\$ -	\$ -	\$ -

On December 12, 2019, the District repaid all advances plus interest in full and the District and the Developer agreed to effectively terminate the Reimbursement Agreement as of this date.

Operation Reimbursement Agreement. On December 7, 2015, the District and the Developer entered into a Funding and Reimbursement Agreement – Operations and Maintenance (O&M Agreement). Per the O&M Agreement, the Developer agreed to fund any shortfalls in District revenue up to \$500,000 through December 31, 2019 to fund the District's annual operating and maintenance costs. The contingent obligation bears simple interest at 8% per annum.

For the 12-month period ended December 31, 2019, District payments made, advances received, and interest accrued under the O&M Agreement is as follows:

	Eligible Costs	Accrued Interest	Total
Beginning Balance (Jan. 01, 2019)	\$ 42,095	\$ 7,900	\$ 49,995
Additional advances	-	-	-
Accrued interest	-	2,102	2,102
Payments to the Developer	(42,095)	(10,002)	(52,097)
Ending Balance (Dec. 31, 2019)	\$ -	\$ -	\$ -

These notes are an integral part of the accompanying financial statements.

On November 06, 2019, the District repaid all advances plus interest in full and, per the terms of the O&M Agreement, the O&M Agreement was effectively terminated on this date.

NOTE 7 – NET POSITION (DEFICIT)

Restricted Net Position

The District's restricted net position as of December 31, 2019 in the general fund, debt service fund and capital projects fund totaled \$6,300, \$0 and \$0, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 10 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the District's debt obligations. The restricted net position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure.

Unrestricted Net Position

The District's unrestricted net position as of December 31, 2019 totaled (\$3,665,608). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Arvada and the District.

NOTE 8 – RELATED PARTIES

The Developer of the property which constitutes the District is RF Land Investment, LLC (the Developer). As of December 31, 2019, substantially all land within the District has been developed and the only land parcel still owned by the Developer is a 0.16-acre parcel (Tract F) designated as a public open space.

For the 12-month period ended December 31, 2019, four of the five directors serving on the District's board were residents of the District and reported no conflicts of interest arising from their participation on the District's board. One director on the District's board was an employee of a company that is owned by a group that also owns the Developer and, consequently, had conflicts of interest with transactions occurring between the Developer and the District. Specifically, this director had conflicts of interest with the District's 2019 debt refinance transaction. A portion of the proceeds from the Senior Loan and Series 2019B Bonds were used to pay the Developer \$801,975 in accordance with certain contingent reimbursement agreements (described in Note 6). In addition, the Developer paid the District \$90,000 as an incentive to complete the refinance transaction and offset a portion of the \$333,120 in debt issuance costs and the \$284,685 loss from the in-substance defeasance of the District's 2015 bonds.

NOTE 9 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

These notes are an integral part of the accompanying financial statements.

The District pays annual premiums to the Pool for liability, property, public officials' liability, 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 10 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution—referred to as the Taxpayer's Bill of Rights (TABOR)—contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 3, 2015, District voters authorized the District to assess property taxes at no more than \$5,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

On November 3, 2015, District voters authorized the District to assess property taxes at no more than \$5,000,000 annually, without limitation to rate, to pay the District's capital costs of public improvements. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

NOTE 11 – SUBSEQUENT EVENTS

On April 3, 2020, the Developer transferred ownership of Tract F within the Richards Farm subdivision to the District. As a result of this transaction, the director who was associated with the Developer was no longer qualified to serve as a director on the District's Board.

SUPPLEMENTARY INFORMATION

RICHARDS FARM METROPOLITAN DISTRICT
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
12-Month Period Ended December 31, 2019

	Original Budget	Amend Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Property taxes	\$ 242,853	\$ 242,853	\$ 242,853	\$ -
Specific ownership taxes	14,571	14,571	20,693	6,122
Builder / Developer contributions	-	-	90,000	90,000
Net investment income	6,070	6,070	7,198	1,128
Total revenues	<u>263,494</u>	<u>263,494</u>	<u>360,744</u>	<u>97,250</u>
EXPENDITURES				
General and administration	12,000	9,400	9,395	7
Debt Service				
Bond interest – 2015A Series Bonds	161,000	80,500	80,500	-
Bond issuance costs	-	333,200	333,120	80
Contingency	-	215,037	-	215,037
Total expenditures	<u>173,000</u>	<u>638,137</u>	<u>423,015</u>	<u>215,122</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>90,494</u>	<u>(374,643)</u>	<u>(62,271)</u>	<u>312,372</u>
OTHER FINANCING SOURCES (USES)				
Transfer to capital project fund	-	(849,450)	(849,450)	-
Proceeds from loan payable	-	4,210,898	3,900,000	(310,898)
Proceeds from Series 2019B bond issuance	-	464,000	464,000	-
Defeasance of Series 2015A and 2015B bonds	-	(3,811,863)	(3,811,863)	-
Total other financing sources (uses)	<u>-</u>	<u>13,585</u>	<u>(297,313)</u>	<u>(310,898)</u>
NET CHANGE IN FUND BALANCE	<u>90,494</u>	<u>(361,058)</u>	<u>(359,584)</u>	<u>1,474</u>
FUND BALANCE – BEGINNING OF YEAR	<u>361,058</u>	<u>361,058</u>	<u>366,202</u>	<u>5,144</u>
FUND BALANCE – END OF YEAR	<u>\$ 451,552</u>	<u>\$ -</u>	<u>\$ 6,618</u>	<u>\$ 6,618</u>

RICHARDS FARM METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

12-Month Period Ended December 31, 2019

	Original Budget	Amend Budget	Actual Amounts	Positive / (Negative) Variance with Amend Budget
REVENUES				
Net investment income	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
General and administration	-	-	-	-
Capital projects	-	-	-	-
Major capital projects	-	-	-	-
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Fund transfer from debt fund	-	849,450	849,450	-
Repayments on Developers advances	-	(825,000)	(749,878)	75,122
Total other financing sources (uses)	-	24,450	99,572	75,122
NET CHANGE IN FUND BALANCE	-	24,450	99,572	75,122
FUND BALANCE – BEGINNING OF YEAR	-	-	-	-
FUND BALANCE – END OF YEAR	<u>\$ -</u>	<u>\$ 24,450</u>	<u>\$ 99,572</u>	<u>\$ 75,122</u>

OTHER SUPPLEMENTARY INFORMATION

RICHARDS FARM METROPOLITAN DISTRICT
SCHEDULE OF PLANNED DEBT SERVICE PAYMENTS TO MATURITY
 December 31, 2019

The District's planned repayment schedule for its 2019 Loan and Series 2019B bonds is as follows:

Year Ended Dec. 31,	2019 Loan (Academy Bank) Original Amount: \$3,900,000			Series 2019B Bonds Original Amount: \$464,000			Total Planned Debt Payments		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 50,000	\$ 161,996	\$ 211,996	\$ 28,000	\$30,411	\$ 58,411	\$ 78,000	\$ 192,407	\$ 270,407
2021	85,000	127,050	212,050	31,000	28,340	59,340	116,000	155,390	271,390
2022	90,000	124,245	214,245	36,000	26,325	62,325	126,000	150,570	276,570
2023	95,000	121,275	216,275	37,000	23,985	60,985	132,000	145,260	277,260
2024	100,000	118,140	218,140	42,000	21,580	63,580	142,000	139,720	281,720
2025	105,000	114,840	219,840	44,000	18,850	62,850	149,000	133,690	282,690
2026	115,000	111,375	226,375	45,000	15,990	60,990	160,000	127,365	287,365
2027	115,000	107,580	222,580	53,000	13,065	66,065	168,000	120,645	288,645
2028	125,000	103,785	228,785	55,000	9,620	64,620	180,000	113,405	293,405
2029	130,000	99,660	229,660	58,000	6,045	64,045	188,000	105,705	293,705
2030	140,000	95,370	235,370	35,000	2,275	37,275	175,000	97,645	272,645
2031	140,000	90,750	230,750	-	-	-	140,000	90,750	230,750
2032	150,000	86,130	236,130	-	-	-	150,000	86,130	236,130
2033	155,000	81,180	236,180	-	-	-	155,000	81,180	236,180
2034	165,000	76,065	241,065	-	-	-	165,000	76,065	241,065
2035	170,000	70,620	240,620	-	-	-	170,000	70,620	240,620
2036	185,000	65,010	250,010	-	-	-	185,000	65,010	250,010
2037	190,000	58,905	248,905	-	-	-	190,000	58,905	248,905
2038	200,000	52,635	252,635	-	-	-	200,000	52,635	252,635
2039	205,000	46,035	251,035	-	-	-	205,000	46,035	251,035
2040	220,000	39,270	259,270	-	-	-	220,000	39,270	259,270
2041	225,000	32,010	257,010	-	-	-	225,000	32,010	257,010
2042	240,000	24,585	264,585	-	-	-	240,000	24,585	264,585
2043	245,000	16,665	261,665	-	-	-	245,000	16,665	261,665
2044	260,000	8,580	268,580	-	-	-	260,000	8,580	268,580
	\$3,900,000	\$2,033,756	\$5,933,756	\$ 464,000	\$196,486	\$660,486	\$4,364,000	\$2,230,242	\$6,594,242

RICHARDS FARM METROPOLITAN DISTRICT
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2019

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2015	\$ -	-	-	\$ -	\$ -	-
2016	1,060,135	50.000	-	53,008	53,008	100.00%
2017	1,120,931	20.000	40.000	67,256	67,256	100.00%
2018	4,109,433	24.111	44.222	280,810	280,810	100.00%
2019	5,491,671	32.305	44.222	420,261	420,262	100.00%
2020	5,864,004	32.530	44.531	451,964	[TBD]	[TBD]

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

RICHARDS FARM METROPOLITAN DISTRICT
CHANGE IN TOTAL OVERLAPPING MILL LEVY
December 31, 2019

	2019 Mill Levy **	2020 Mill Levy *	Change
Richards Farm Metropolitan District	76.527	77.061	0.534
Jefferson County School District	49.416	47.075	(2.341)
Jefferson County	23.739	23.332	(0.407)
Arvada Fire Protection District	14.821	14.925	0.104
Apex Park & Recreation District	4.809	4.559	(0.250)
City of Arvada	4.310	4.310	-
Urban Drainage and Flood Control	0.726	0.900	0.174
Urban Drainage and Flood Control – South Platte	0.094	0.097	0.003
Total Mill Levy	174.442	172.259	(2.183)

* -- For property tax collections in 2020

** -- For property tax collections in 2019

RICHARDS FARM METROPOLITAN DISTRICT
HISTORICAL DEBT RATIOS
 December 31, 2019

	2016	2017	2018	2019	2020
General Obligation Bonds	\$ 3,310,000	\$ 3,310,000	\$ 3,310,000	\$ 3,310,000	\$ 464,000
Other TABOR debt	\$ -	\$ -	\$ -	\$ -	\$ 3,900,000
Combined assessed property values within the District	\$ 1,060,135	\$ 1,120,931	\$ 4,109,433	\$ 5,491,671	\$ 5,865,019
Ratio of debt to assessed property values	312.2%	295.3%	80.5%	60.3%	74.4%