

ADONEA METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

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6025 SOUTH QUEBEC STREET, SUITE 260
CENTENNIAL, COLORADO 80111
303-792-3020 (o) | 303-232-7237 (f)
WWW.WCRCPA.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Adonea Metropolitan District No. 2
City of Aurora, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Adonea Metropolitan District No. 2, City of Aurora, Colorado, as of and for the year ended December 31, 2020, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Adonea Metropolitan District No. 2, City of Aurora, Colorado as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis 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 basis financial statements is not affected by the missing information

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund and The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Project Fund are presented for the purpose of additional analysis and are not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund and The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Project Fund are the responsibility of management and are derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Watson Coon Ryan, LLC

WATSON COON RYAN, LLC
CENTENNIAL, COLORADO

OCTOBER 20, 2021

ADONEA METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 651,719	\$ -	\$ -	\$ 651,719	\$ -	\$ 651,719
Cash and investments - restricted	32,198	1,993,990	5,201,309	7,227,497	-	7,227,497
Cash with County Treasurer	1,913	5,982	-	7,895	-	7,895
Property taxes receivable	374,155	1,403,802	-	1,777,957	-	1,777,957
Accounts receivable - assessments	72,919	-	-	72,919	-	72,919
Accounts receivable - impact fees	-	-	846,424	846,424	-	846,424
Prepaid expenses	500	-	-	500	-	500
Capital assets not being depreciated	-	-	-	-	12,083,214	12,083,214
Capital assets, net of depreciation	-	-	-	-	1,749,234	1,749,234
Total Assets	<u>1,133,404</u>	<u>3,403,774</u>	<u>6,047,733</u>	<u>10,584,911</u>	<u>13,832,448</u>	<u>24,417,359</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	84,665	84,665
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,665</u>	<u>84,665</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,133,404</u>	<u>\$ 3,403,774</u>	<u>\$ 6,047,733</u>	<u>\$ 10,584,911</u>		
LIABILITIES						
Accounts payable	\$ 8,357	\$ -	\$ -	\$ 8,357	-	8,357
Accounts payable - Regional taxes/ARI	-	126,109	-	126,109	-	126,109
Prepaid assessments	72,144	-	-	72,144	-	72,144
Accrued interest	-	-	-	-	806,092	806,092
Long-term liabilities:						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	22,157,180	22,157,180
Total Liabilities	<u>80,501</u>	<u>126,109</u>	<u>-</u>	<u>206,610</u>	<u>22,963,272</u>	<u>23,169,882</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Assessments	52,653	-	-	52,653	-	52,653
Deferred property taxes	374,155	1,403,802	-	1,777,957	-	1,777,957
Total Deferred Inflows of Resources	<u>426,808</u>	<u>1,403,802</u>	<u>-</u>	<u>1,830,610</u>	<u>-</u>	<u>1,830,610</u>
FUND BALANCE						
Nonspendable						
Prepaid expenses	500	-	-	500	(500)	-
Restricted:						
Emergencies	32,198	-	-	32,198	(32,198)	-
Debt service	-	1,873,863	-	1,873,863	(1,873,863)	-
Capital projects	-	-	6,047,733	6,047,733	(6,047,733)	-
Unassigned	593,397	-	-	593,397	(593,397)	-
Total Fund Balances	<u>626,095</u>	<u>1,873,863</u>	<u>6,047,733</u>	<u>8,547,691</u>	<u>(8,547,691)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,133,404</u>	<u>\$ 3,403,774</u>	<u>\$ 6,047,733</u>	<u>\$ 10,584,911</u>		
NET POSITION						
Restricted for:						
Emergencies					32,198	32,198
Debt service					1,067,771	1,067,771
Capital projects					6,047,733	6,047,733
Unrestricted					(7,646,170)	(7,646,170)
Total Net Position (Deficit)					<u>\$ (498,468)</u>	<u>\$ (498,468)</u>

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

ADONEA METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting / audit	11,183	\$ -	\$ -	\$ 11,183	\$ -	\$ 11,183
Clubhouse maintenance	21,336	-	-	21,336	-	21,336
Telephone/access control	1,736	-	-	1,736	-	1,736
Pool Maintenance, chemicals and repairs	93,650	-	-	93,650	-	93,650
Snow Removal	50,723	-	-	50,723	-	50,723
Utilities	188,335	-	-	188,335	-	188,335
Trash removal	105,806	-	-	105,806	-	105,806
Professional fees - management	56,043	-	-	56,043	-	56,043
General administration	14,759	-	-	14,759	-	14,759
Insurance	11,415	-	-	11,415	-	11,415
Legal	71,135	-	-	71,135	-	71,135
Miscellaneous expense	16,155	-	-	16,155	-	16,155
Landscape costs	407,468	-	-	407,468	-	407,468
Treasurer fees	5,868	18,348	-	24,216	-	24,216
Social Events	25,794	-	-	25,794	-	25,794
Capital Outlay	-	-	1,283,391	1,283,391	(1,274,152)	9,239
Bond principal payments	-	730,000	-	730,000	(730,000)	-
Bond interest expense Series 2005 bonds	-	-	-	-	(887,601)	(887,601)
Bond interest expense Series 2018 bonds	-	951,544	-	951,544	263,232	1,214,776
Trustee/paying agent fees	-	9,000	-	9,000	-	9,000
Regional mill levy	-	25,312	-	25,312	-	25,312
Depreciation	-	-	-	-	102,891	102,891
Total Expenditures	<u>1,081,406</u>	<u>1,734,204</u>	<u>1,283,391</u>	<u>4,099,001</u>	<u>(2,525,630)</u>	<u>1,573,371</u>
PROGRAM REVENUES						
Assessments	<u>543,539</u>	-	-	<u>543,539</u>	-	<u>543,539</u>
Total Program Revenues	<u>543,539</u>	-	-	<u>543,539</u>	-	<u>543,539</u>
Net Program Income (Expense)	<u>(537,867)</u>	<u>(1,734,204)</u>	<u>(1,283,391)</u>	<u>(3,555,462)</u>	<u>2,525,630</u>	<u>(1,029,832)</u>
GENERAL REVENUES						
Property taxes	391,071	1,198,760	-	1,589,831	-	1,589,831
Property taxes - Regional ARI	-	23,965	-	23,965	-	23,965
Specific ownership taxes	27,713	84,950	-	112,663	-	112,663
Specific ownership taxes - Regional ARI	-	1,698	-	1,698	-	1,698
Clubhouse rental & other income	43,563	-	-	43,563	-	43,563
Impact fees	-	-	2,511,968	2,511,968	-	2,511,968
Land exchange	-	730,000	-	730,000	(730,000)	-
Interest income	150	55,287	-	55,437	-	55,437
Total General Revenues	<u>462,497</u>	<u>2,094,660</u>	<u>2,511,968</u>	<u>5,069,125</u>	<u>(730,000)</u>	<u>4,339,125</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,370)	360,456	1,228,577	1,513,663	1,795,630	3,309,293
OTHER FINANCING SOURCES (USES)						
Gain on land exchange	-	-	-	-	371,073	371,073
Total Other Financing Sources (Uses)	-	-	-	-	371,073	371,073
CHANCE IN FUND BALANCE	(75,370)	360,456	1,228,577	1,513,663	(1,513,663)	
CHANGES IN NET POSITION					3,680,366	3,680,366
FUND BALANCE/NET POSITION						
BEGINNING OF YEAR	701,465	1,513,407	4,505,160	6,720,032	(11,212,862)	(4,492,830)
PRIOR PERIOD ADJUSTMENT	-	-	313,996	313,996	-	313,996
BEGINNING OF YEAR - RESTATED	<u>701,465</u>	<u>1,513,407</u>	<u>4,819,156</u>	<u>7,034,028</u>	<u>(11,212,862)</u>	<u>(4,178,834)</u>
END OF YEAR	<u>\$ 626,095</u>	<u>\$ 1,873,863</u>	<u>\$ 6,047,733</u>	<u>\$ 8,547,691</u>	<u>\$ (12,726,525)</u>	<u>\$ (498,468)</u>

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

ADONEA METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	391,070	\$ 391,071	\$ 1
Specific ownership taxes	28,744	27,713	(1,031)
Assessments	350,000	543,539	193,539
Clubhouse rental & other income	30,000	43,563	13,563
Interest income	500	150	(350)
Total Revenues	800,314	1,006,036	205,722
EXPENDITURES			
Accounting / audit	30,000	11,183	18,817
Clubhouse maintenance	15,000	21,336	(6,336)
Telephone/access control	3,000	1,736	1,264
Pool Maintenance, chemicals and repairs	118,000	93,650	24,350
Snow Removal	30,000	50,723	(20,723)
Utilities	202,000	188,335	13,665
Trash removal	75,000	105,806	(30,806)
Professional fees - management	50,000	56,043	(6,043)
General administration	15,000	14,759	241
Insurance	17,000	11,415	5,585
Legal	75,000	71,135	3,865
Miscellaneous expense	11,000	16,155	(5,155)
Landscape costs	245,000	407,468	(162,468)
Treasurer fees	5,866	5,868	(2)
Social Events	18,000	25,794	(7,794)
Mosquito control	1,500	-	1,500
Seasonal color	750	-	750
Vacant Lot maintenance	5,400	-	5,400
Contingency	311,463	-	311,463
Emergency reserve	27,525	-	27,525
Total Expenditures	1,256,504	1,081,406	175,098
NET CHANGE IN FUND BALANCE	(456,190)	(75,370)	380,820
FUND BALANCE:			
BEGINNING OF YEAR	520,268	701,465	181,197
END OF YEAR	\$ 64,078	\$ 626,095	\$ 562,017

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

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of Adonea Metropolitan District No. 2, (“District”), located in the City of Aurora, Arapahoe 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 on August 18, 2003 concurrently with Adonea Metropolitan District No. 1, (“District No.1”) as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to provide water, wastewater, park and recreation, and other related improvements for the benefit of taxpayers and service users located within the City of Aurora, Colorado. The District's primary revenues are property taxes, development fees, and facilities fees. The District is governed by an elected Board of Directors. On December 15, 2010, District No. 1 was dissolved and all assets and liabilities of District No. 1 were transferred to the District.

Prior to the dissolution of District No. 1, the District served as the “Taxing District” while District No. 1 served as the “Operating District.” The Operating District is responsible for providing the day-to-day operations and administrative management for both Districts. The District now operates independently.

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 the GASB.

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

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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 statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balances/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 timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 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-term obligation is paid.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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 GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end. During 2020, the District's expenditures exceeded its appropriations the Debt Service Fund due to the Bond exchange under the Bond Exchange Agreement (See Note 5), this may be a violation of State budget laws..

Assets, Liabilities Deferred Inflows of Resources 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, 2020, 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.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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

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.

Deferred Outflows/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 then. The District has no items that qualify for reporting under 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. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Original Issue Premium and Deferred Loss on Refunding

Original issue premium associated with the Series 2018 Bonds is being amortized over the term of the bonds using the effective interest rate method. The Deferred Loss on Refunding related to the issuance of the 2018 bonds is being amortized over the remaining life of the refunded bonds using the effective interest rate method.

Estimates

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

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 estimated fair value at the date of donation.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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 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-line method over the following estimated useful lives:

Recreation Center	30 years
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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 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 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.

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 \$500 represents prepaid expenditures.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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 \$32,198 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,873,863 is restricted for the payment of the debt service costs (see Note 4).

Committed Fund Balance

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.

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.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available

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

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports 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.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

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

Restated Beginning Fund Balance

The beginning fund balance of the Capital Project Fund was restated to include additional Impact Fee revenue in the amount of \$313,996. Building permits had been obtained in prior years and the fee had not been recorded.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 651,719
Cash and investments – Restricted	<u>7,227,497</u>
	<u>\$ 7,879,216</u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 266,523
Investments – COLOTRUST	6,018,896
Investments – CSAFE	<u>1,593,797</u>
	<u>\$ 7,879,216</u>

Deposits

Custodial Credit 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% the aggregate uninsured deposits.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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 does not have a formal policy for deposits.

Investments 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.

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 investment is not required to be categorized within the fair value hierarchy. The investment value of COLOTRUST is calculated using the net asset value method (NAV) per share and the investment value of CSAFE is calculated using the amortized cost method.

As of December 31, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's 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, 2020, the District had \$6,018,896 invested in COLOTRUST.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. 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 custodians’ internal records identify the investments owned by CSAFE. At December 31, 2020, the District had \$1,593,797 invested in CSAFE

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.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

Governmental Type Activities:	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 3,635,118	\$ 1,274,152	\$ -	\$ 4,909,270
Land	358,927	-	358,927	-
Landscaping	7,173,944	-	-	7,173,944
Total capital assets not being depreciated:	<u>11,167,989</u>	<u>1,274,152</u>	<u>358,927</u>	<u>12,083,214</u>
<u>Capital assets being depreciated:</u>				
Recreation center	<u>2,795,290</u>	-	-	<u>2,795,290</u>
Total capital assets:	2,795,290	-	-	2,795,290
Accumulated Depreciation	<u>(943,165)</u>	<u>(102,891)</u>	-	<u>(1,046,056)</u>
Net capital assets being depreciated:	<u>1,852,125</u>	<u>(102,891)</u>	-	<u>1,749,234</u>
Government type assets, net	<u>\$ 13,020,114</u>	<u>\$ 1,171,261</u>	<u>\$ 358,927</u>	<u>\$ 13,832,448</u>

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Under the District Service Plan, the District is to dedicate the capital improvements to the City of Aurora. However, the District may retain the park and recreation improvements.

The value of the land was determined by calculating the present value of the amount paid for the 2005B bonds on April 25, 2017 by Oakwood, at a rate of 7.5%. See Note 4.

Note 4: Long Term Debt

A description of the long-term obligations as of December 31, 2020, is as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds Series 2018A and Subordinate Limited Tax General Obligation Refunding Bonds Series 2018B

On February 7, 2018 the District issued \$18,885,000 of Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Bonds Series 2018A (“Series 2018A Bonds”) and Subordinate Limited Tax General Obligation Refunding Bonds Series 2018B (“Series 2018B Bonds”). The Series 2018A Bonds bear interest rates ranging from 4.50% to 5.125% and are payable semiannually on each June 1 and December 1, commencing on June 1, 2018. Principal on the Series 2018A Bonds is payable upon maturity beginning December 1, 2028 and are subject to a mandatory sinking fund redemption commencing on December 1, 2022. The Series 2018B Bonds bear interest 7.5% and are payable annually on each December 15, commencing on December 15, 2018 to the extent of Subordinate Pledged Revenue. Principal on the Series 2018B Bonds are subject to mandatory redemption prior to maturity from available Subordinate Pledged Revenue. Proceeds of the Series 2018 Bonds were used to refund the Series 2005A Bonds and the 2005 C Bonds and to pay the cost of issuing the Series 2018 Bonds. The Series 2018A Bonds maturing on and after December 1, 2023 are subject to redemption prior to maturity at the option of the District, in whole on any date, or in part on any Interest payment date, at any time after December 1, 2023, at the redemption price equal to the principal amount of each Series 2018A Bond or portion thereof redeemed plus accrued interest to the date of redemption and a redemption premium ranging from 1.00% to 3.00%.

Revenue Bonds - Series 2005B

On December 29, 2005, the District issued \$19,970,000 in Revenue Bonds (“Series 2005B Bonds”) for the purpose of financing the costs of designing, acquiring, installing, constructing and equipping certain public improvements, funding certain capitalized interest, paying the costs of issuance, and funding a debt service reserve fund. The Series 2005B Bonds were issued at a discount of \$198,702, which has been capitalized and is being amortized over the life of the Series 2005B Bonds. The Series 2005B Bonds bore interest at 4.375% and had a final maturity date of December 1, 2015.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

The Series 2005B Bonds were not subject to optional redemption, however they were subject to extraordinary mandatory redemption prior to maturity upon the occurrence of specific events as outlined in the Indenture. On March 17, 2009, the District purchased \$7,090,000 of the Series 2005B Bonds that were outstanding at a discount of \$283,600.

Interest was to be paid on June 1 and December 1 of each year beginning June 1, 2006. Principal and interest on Series 2005B Bonds were to be paid from the capitalized interest, proceeds of money drawn on the Letter of Credit, revenues collected by the District from payment of Facility Fees including true-up payments, and moneys on deposit in the funds established under the indenture, including the Reserve Fund.

The primary source of payment of principal and interest on the Series 2005B Bonds, if not paid by moneys drawn on the Letter of Credit, was the revenues of the District collected as a result of the imposition of Facilities Fees on properties within the District and payment of any True-Up Payments in accordance with the Facilities Fee Resolution. As of December 31, 2019, the District has made principal payments of \$7,165,000 using collected Facility Fees. During 2020, the District did not collect any Facility Fees.

On April 20, 2007, the Board of Directors of the District approved the First Supplemental Trust Indenture dated as of April 1, 2007. This amendment provides for the interest earned in the Facility Fund account in the Capital Projects Fund to be transferred to the Bond Fund account in the Debt Service Fund to be applied towards the payment of principal or interest on the Series 2005B Bonds. This amendment was effective as of January 1, 2006.

The initial stated amount of the Letter of Credit (“LOC”) was \$20,414,124. The stated amount consists of an amount equal to the original aggregate principal amount of the Series 2005B Bonds and an amount equal to interest on the Principal Portion calculated at the rate of interest per annum borne by the Series 2005B Bonds for 183 days on the basis of a 360-day year. The LOC was to be reduced upon each payment of principal on the Series 2005B Bonds. The LOC was scheduled to terminate on November 15, 2012 unless terminated earlier as outlined in the LOC Agreement.

On October 15, 2012, the LOC was extended to November 15, 2013. The Letter of Credit was subsequently extended to October 15, 2014 and then again to January 15, 2015. The District did not receive the interest payment from the owner of undeveloped lots within the District, which was due on November 15, 2014. As a result, the letter of credit provider, Compass Bank (“Compass”), paid the interest payment on December 1, 2014. The full amount of interest due on the Bonds was \$132,036. The payment to reimburse Compass and to pay the letter of credit fees was made by a transfer from the Reserve Fund to the Bond Fund. Section 10.1(b) of the Indenture provides it shall be an Event of Default if the District fails to pay an installment of interest on the Bonds when the same becomes due and payable. As a result, an Event of Default occurred.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

On December 15, 2014, the District received a notice from the bond trustee stating that the Bonds were subject to Mandatory Purchase on January 8, 2015 for failure to receive an extension to the letter of credit. As a result Compass purchased the Bonds. Subsequently, these bonds were discounted and sold to a third party. On October 18, 2015, the District settled on a deed in lieu agreement with the developer of the property rather than pursuing a foreclosure and took ownership of the undeveloped land in the District. On October 28, 2016 the District signed a Bond Exchange Agreement, whereby the District agreed to transfer portions of the land owned by the District to the Oakwood Homes, LLC (“Oakwood”), upon their request, in exchange for the 2005B Bonds. On April 25, 2017, the 2005B Bonds were purchased by Oakwood. See Note 5.

On November 12, 2020, the Series 2005 B Bonds were fully redeemed by transferring land to Oakwood. At that time the accrued interest on the 2005 B Bonds was also cancelled.

As outlined in the Indenture, the Reserve Fund was funded from a portion of the proceeds of the Series 2005B Bonds. The Reserve Fund was required to be maintained in an amount equal to the sum of the interest on the Series 2005B Bonds scheduled to come due in the upcoming bond year plus 1.25% of the stated amount of the Letter of Credit.

The following is an analysis of changes in long-term debt for the period ending December 31, 2020:

	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Due in</u> <u>One Year</u>
General Obligation Bonds					
Series 2018A Bond	\$ 18,885,000	\$ -	\$ -	\$ 18,885,000	\$ -
Series 2018B Bonds	3,111,000	-	-	3,111,000	-
Series 2005B Bonds	<u>730,000</u>	<u>-</u>	<u>730,000</u>	<u>-</u>	<u>-</u>
Total	22,726,000	-	730,000	21,996,000	-
Premium on Series 2018 A	<u>170,703</u>	<u>-</u>	<u>9,523</u>	<u>161,180</u>	<u>-</u>
	<u>\$ 22,896,703</u>	<u>\$ -</u>	<u>\$ 739,523</u>	<u>\$ 22,157,180</u>	<u>\$ -</u>

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2018 A Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 951,544	\$ 951,544
2022	190,000	951,544	1,141,544
2023	290,000	942,994	1,232,994
2024	370,000	929,944	1,299,944
2025	385,000	913,294	1,298,294
2026-2030	2,470,000	4,270,494	6,740,494
2031-2035	3,520,000	3,554,188	7,074,188
2036-2040	4,930,000	2,514,838	7,444,838
2041-2045	<u>6,730,000</u>	<u>1,077,016</u>	<u>7,807,016</u>
	<u>\$ 18,885,000</u>	<u>\$ 16,105,856</u>	<u>\$ 34,990,856</u>

Because of the uncertainty of timing of payments under the Series 2018B Bonds no related schedules of expected principal and interest payments are presented.

Debt Authorization

In 2004, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$607,500,000 for acquisition, construction, installment, and equipping of capital improvements. The District Service Plan includes a debt authorization limit of \$45,000,000. On October 30, 2017, the Service Plan was amended to increase the debt limit to \$90,000,000. As of December 31, 2019, the amount of debt authorized by the District's electorate but unissued was \$570,730,054. The District has not budgeted to issue any new debt during 2021.

Note 5: Agreements

Bond Exchange Agreement

On October 28, 2016, the District entered into a Bond Exchange Agreement with Oakwood, whereby the District agreed that following the acquisition of the 2005B Bonds by Oakwood, (1) the District will convey Lots to Oakwood, (2) in exchange for the conveyance of Lots, Oakwood shall deliver Bonds to the District, and (3) the District shall deliver the Bonds to the Bond Trustee for cancellation upon certain conditions and terms as further described in the Bond Exchange Agreement. The Bond Exchange Agreement sets forth the method for calculating the bond exchange rate based upon the various lots/land owned by the District.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

If all Lots have not been exchanged for bonds as of June 30, 2027, or if the Oakwood has not constructed homes within the District for two consecutive years, the District may sell any remaining property at that time to any person for an amount determined by the District provided that (1) the purchase price for such Lots shall be no less than the Bond Exchange Amount for such Remaining Property and (ii) all proceeds from the sale of such Remaining Property shall be paid to Oakwood in exchange for the cancellation of Bonds for the Bond Exchange Amount. If Oakwood does not acquire the Bonds by April 21, 2017, then, any time thereafter either party may terminate the Bond Exchange Agreement. On April 17, 2017, the District and Oakwood entered into a First Amendment to the Bond Exchange Agreement to extend the required closing date from April 21, 2017 to April 28, 2017. On April 25, 2017 Oakwood acquired the 2005B Bonds. As part of the transaction Oakwood agreed to terminate the Facility Fee Resolution.

As of, December 31, 2020 the District has approved 4 Assignments of and Direction to Cancel Certain Revenue Bonds Series 2005B Issued by Adonea Metropolitan District No. 2 whereby the District sold to Oakwood lots in exchange for 2005B bonds per the Bond Exchange Agreement. On November 29, 2017 216 lots were exchanged for \$2,320,000 in 2005B Bonds, on December 28, 2018 144 lots were exchanged for \$1,120,000 in Series 2005B Bonds, on September 12, 2019 157 lots were exchanged of \$1,545,000 in Series 2005b Bonds and on November 12, 2020 the final 59 lots were exchanges for \$730,000 in Series 2005 B Bonds, All of the lots have been exchanged and the 2005B Bonds have been cancelled.

Agreement to Convey by Deed in Lieu of Foreclosure

On October 16, 2015, the District entered into an Agreement to Convey by Deed in Lieu of Foreclosure with Lennar whereby Lennar agreed to convey to the District the land, along with all of the improvements, within Filing 3 and 4 of the Adonea Subdivision to the District as required by the Facility Fee Resolution and as consideration for a release of Lennar's obligation to pay the Facility Fees, interest and other costs due to the District. Lennar also agreed to waive its rights to any reimbursement of amounts due under the Funding and Reimbursement Agreements, pay the Vacant Lot Fees through January 31, 2015, and pay property taxes for the period that they owned the Land.

Oil and Gas Lease

On November 16, 2017 the District entered into an Agreement with Bison Oil and Gas, LLC, ("Bison") where by the District agreed to lease all of its right title and interest in and to the minerals beneath the land as described in the Agreement. Bison agreed to compensate the District by paying a Bonus payment of \$3,500 per net mineral acre and twenty percent Landowner Royalty. The Term of the lease is for 3 years with an option to extend for 2 additional years for 150% per acre of the original lease bonus per acre. During 2017, the District received the Bonus payment in the amount of \$560,805. The lease was not renewed.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Intergovernmental Agreements

On November 3, 2004, the District, along with the District No. 1, entered into an Amended and Restated Intergovernmental Agreement with the City of Aurora, as required by the Amended and Restated Consolidated Service Plan. Under this agreement, the District must obtain the approval of the Aurora City Council prior to any inclusion of property into the boundaries of the District, or any consolidation with any other special district. Prior to issuance of any privately placed debt, the District shall obtain a certificate from an External Financial Advisor certifying the reasonableness of the interest rate and the structure. Pursuant to the agreement and the Amended and Restated Consolidated Service Plan, the District is required to levy a regional mill levy and to remit it to an Aurora Regional Improvement (“ARI”) Authority or to the City under certain circumstances. On October 30, 2017, the agreement was amended to increase the District’s debt limit to \$90,000,000.

The Amended and Restated Consolidated Service Plan requires the District to dedicate the public improvements to the City of Aurora for ownership and maintenance. The District is authorized, but not obligated to, operate and maintain the park and recreation improvements.

Note 6: 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 (“the 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 7: 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.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

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

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

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 4, 2003 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 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Land and 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 and accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/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 process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report bond principal payments as; however, in the government-wide financial statements, this is reflected as changes in long-term liabilities;
- 3) bond premiums are recorded as revenues; however, in the statement of activities, this item is amortized over the term of the related debt; and
- 4) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities.

ADONEA METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 9: Coronavirus (COVID-19) a pandemic

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which may negatively impact operations of the District. Other financial impacts could occur, though such potential impact is unknown at this time.

SUPPLEMENTAL INFORMATION

ADONEA METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2020

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 1,198,760	\$ 1,198,760	\$ -
Property taxes - Regional ARI	23,964	23,965	1
Specific ownership taxes	95,901	84,950	(10,951)
Specific ownership taxes - Regional ARI	1,917	1,698	(219)
Land exchange	-	730,000	730,000
Interest income	<u>120,000</u>	<u>55,287</u>	<u>(64,713)</u>
 Total Revenues	 <u>1,440,542</u>	 <u>2,094,660</u>	 <u>654,118</u>
 EXPENDITURES			
Bond principal payments	-	730,000	(730,000)
Bond interest expense Series 2018 bonds	951,554	951,544	10
Trustee/paying agent fees	8,000	9,000	(1,000)
Miscellaneous expense	300	-	300
Treasurer's fee	18,340	18,348	(8)
Regional mill levy	<u>25,522</u>	<u>25,312</u>	<u>210</u>
 Total Expenditures	 <u>1,003,716</u>	 <u>1,734,204</u>	 <u>(730,488)</u>
 CHANGE IN FUND BALANCE	 436,826	 360,456	 76,370
 FUND BALANCE:			
BEGINNING OF YEAR	<u>1,507,979</u>	<u>1,513,407</u>	<u>5,428</u>
 END OF YEAR	 <u>\$ 1,944,805</u>	 <u>\$ 1,873,863</u>	 <u>\$ (70,942)</u>

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

ADONEA METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Impact fees	\$ 2,000,000	\$ 2,511,968	\$ 511,968
Total Revenues	<u>2,000,000</u>	<u>2,511,968</u>	<u>511,968</u>
EXPENDITURES			
Capital outlay	<u>2,000,000</u>	<u>1,283,391</u>	<u>716,609</u>
Total Expenditures	<u>2,000,000</u>	<u>1,283,391</u>	<u>716,609</u>
NET CHANGE IN FUND BALANCE	-	1,228,577	1,228,577
FUND BALANCE:			
BEGINNING OF YEAR	2,000,000	4,505,160	2,505,160
PRIOR PERIOD ADJUSTMENT	-	<u>313,996</u>	<u>313,996</u>
BEGINNING OF YEAR - RESTATED	<u>2,000,000</u>	<u>4,819,156</u>	<u>2,819,156</u>
END OF YEAR	<u>\$ 2,000,000</u>	<u>\$ 6,047,733</u>	<u>\$ 4,047,733</u>

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