

**ILIFF COMMONS METROPOLITAN DISTRICT #2**

Financial Statements

Year Ended December 31, 2020

with

Independent Auditors' Report

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Iliff Commons Metropolitan District No. 2  
Arapahoe County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Iliff Commons Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2020, 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.

### **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 Iliff Commons Metropolitan District No. 2, as of December 31, 2020, and the respective changes in financial position thereof, 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.

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**Fiscal Focus Partners, LLC**

## **Other Matters**

### *Required Supplementary Information*

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

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
September 30, 2021

**ILIFF COMMONS METROPOLITAN DISTRICT #2**

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash and investments	\$ 16,706	\$ -	\$ -	\$ 16,706	\$ -	\$ 16,706
Cash and investments - restricted	797	15,910	2,995	19,702	-	19,702
Receivable - County Treasurer	117	1,049	-	1,166	-	1,166
Receivable - ARI	23	-	-	23	-	23
Property taxes receivable	29,075	242,533	-	271,608	-	271,608
Receivable - other	6,570	-	-	6,570	(6,570)	-
Prepaid expenses	<u>2,465</u>	<u>-</u>	<u>-</u>	<u>2,465</u>	<u>-</u>	<u>2,465</u>
Total Assets	<u>55,753</u>	<u>259,492</u>	<u>2,995</u>	<u>318,240</u>	<u>(6,570)</u>	<u>311,670</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred loss on refunding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,699</u>	<u>24,699</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,699</u>	<u>24,699</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 55,753</u>	<u>\$ 259,492</u>	<u>\$ 2,995</u>	<u>\$ 318,240</u>		
<b>LIABILITIES</b>						
Accounts payable	\$ 10,649	\$ -	\$ -	\$ 10,649	-	10,649
Accounts payable - ARI	16,029	-	-	16,029	-	16,029
Accrued interest on bonds	-	-	-	-	18,577	18,577
Long-term liabilities:						
Due within one year	-	-	-	-	70,000	70,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,220,190</u>	<u>4,220,190</u>
Total Liabilities	<u>26,678</u>	<u>-</u>	<u>-</u>	<u>26,678</u>	<u>4,308,767</u>	<u>4,335,445</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	<u>29,075</u>	<u>242,533</u>	<u>-</u>	<u>271,608</u>	<u>-</u>	<u>271,608</u>
Total Deferred Inflows of Resources	<u>29,075</u>	<u>242,533</u>	<u>-</u>	<u>271,608</u>	<u>-</u>	<u>271,608</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Nonspendable:						
Prepays	2,465	-	-	2,465	(2,465)	-
Restricted:						
Emergencies	797	-	-	797	(797)	-
Debt service	-	16,959	-	16,959	(16,959)	-
Capital projects	-	-	2,995	2,995	(2,995)	-
Unassigned	<u>(3,262)</u>	<u>-</u>	<u>-</u>	<u>(3,262)</u>	<u>3,262</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>16,959</u>	<u>2,995</u>	<u>19,954</u>	<u>(19,954)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 55,753</u>	<u>\$ 259,492</u>	<u>\$ 2,995</u>	<u>\$ 318,240</u>		
Net Position:						
Restricted for:						
Emergencies					797	797
Debt service					(1,618)	(1,618)
Capital projects					2,995	2,995
Unrestricted					<u>(4,272,858)</u>	<u>(4,272,858)</u>
Total Net Position					<u>\$ (4,270,684)</u>	<u>\$ (4,270,684)</u>

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

**ILIFF COMMONS METROPOLITAN DISTRICT #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 Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Accounting and audit	\$ 16,220	\$ -	\$ -	\$ 16,220	\$ -	\$ 16,220
Election expense	473	-	-	473	-	473
Insurance	2,689	-	-	2,689	-	2,689
Legal	18,406	-	-	18,406	-	18,406
Director's fees	500	-	-	500	-	500
Miscellaneous	38	-	-	38	-	38
Engineering	-	-	-	-	-	-
ARI mill levy	5,027	-	-	5,027	-	5,027
Treasurer's fees	357	3,216	-	3,573	-	3,573
ARI treasurer's fees	71	-	-	71	-	71
Bond issuance costs	-	-	156,216	156,216	-	156,216
Loan principal expense - 2019A	-	45,000	-	45,000	(45,000)	-
Loan interest expense - 2019A	-	129,827	-	129,827	(733)	129,094
Subordinate Bond interest - 2020B	-	55,866	-	55,866	7,408	63,274
Paying agent fees	-	2,500	-	2,500	-	2,500
Facilities acquisition	-	-	762,729	762,729	-	762,729
Repay developer advances - principal	-	-	963,830	963,830	(963,830)	-
Interest on developer advances	-	-	-	-	776	776
	<u>43,781</u>	<u>236,409</u>	<u>1,882,775</u>	<u>2,162,965</u>	<u>(1,001,379)</u>	<u>1,161,586</u>
<b>Total Expenditures</b>						
<b>GENERAL REVENUES</b>						
Property taxes	23,814	214,354	-	238,168	-	238,168
Specific ownership taxes	1,688	15,198	-	16,886	-	16,886
ARI property taxes	4,760	-	-	4,760	-	4,760
ARI specific ownership taxes	338	-	-	338	-	338
Interest income	5	656	41	702	-	702
	<u>30,605</u>	<u>230,208</u>	<u>41</u>	<u>260,854</u>	<u>-</u>	<u>260,854</u>
<b>Total General Revenues</b>						
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(13,176)</b>	<b>(6,201)</b>	<b>(1,882,734)</b>	<b>(1,902,111)</b>	<b>1,001,379</b>	<b>(900,732)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	-	-	1,123,000	1,123,000	(1,123,000)	-
Developer advances	6,570	-	762,729	769,299	(769,299)	-
	<u>6,570</u>	<u>-</u>	<u>1,885,729</u>	<u>1,892,299</u>	<u>(1,892,299)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>						
<b>NET CHANGES IN FUND BALANCES</b>	<b>(6,606)</b>	<b>(6,201)</b>	<b>2,995</b>	<b>(9,812)</b>	<b>9,812</b>	
<b>CHANGE IN NET POSITION</b>					<b>(900,732)</b>	<b>(900,732)</b>
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>6,606</u>	<u>23,160</u>	<u>-</u>	<u>29,766</u>	<u>(3,399,718)</u>	<u>(3,369,952)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 16,959</u>	<u>\$ 2,995</u>	<u>\$ 19,954</u>	<u>\$ (4,290,638)</u>	<u>\$ (4,270,684)</u>

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

## ILIFF COMMONS METROPOLITAN DISTRICT #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)
<b>REVENUES</b>			
Property taxes	\$ 23,826	\$ 23,814	\$ (12)
Specific ownership taxes	1,428	1,688	260
ARI property taxes	4,763	4,760	(3)
ARI specific ownership taxes	286	338	52
Interest income	10	5	(5)
Total Revenues	30,313	30,605	292
<b>EXPENDITURES</b>			
Accounting and audit	6,500	16,220	(9,720)
Election expense	5,000	473	4,527
Insurance	2,700	2,689	11
Legal	8,000	18,406	(10,406)
Director's fees	-	500	(500)
Miscellaneous	36	38	(2)
ARI mill levy	4,978	5,027	(49)
Treasurer's fees	357	357	-
ARI treasurer's fees	71	71	-
Contingency	12,552	-	12,552
Emergency reserve	667	-	667
Total Expenditures	40,861	43,781	(2,920)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(10,548)	(13,176)	(2,628)
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	-	6,570	6,570
Total Other Financing Sources (Uses)	-	6,570	6,570
<b>NET CHANGE IN FUND BALANCE</b>	(10,548)	(6,606)	3,942
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	10,548	6,606	(3,942)
END OF YEAR	\$ -	\$ -	\$ -

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

## ILIFF COMMONS METROPOLITAN DISTRICT #2

Notes to Financial Statements  
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Iliff Commons Metropolitan District #2 (the “District”), located in 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 June 16, 2006, concurrently with Iliff Commons Metropolitan District #1 (“District #1”), as a quasi-municipal organization established under the State of Colorado Special District Act. The Districts were established to plan for, design, acquire, construct, install, relocate, redevelop and finance public improvements within the District. Pursuant to the Intergovernmental Agreements for Assignment and Assumption of Obligations dated April 22, 2014, District #1 has been dissolved and all financial and service obligations of that District have been assumed by the District. The District shall convey the public improvements to the City or other jurisdiction and will not operate or maintain any public improvements, other than park and recreation improvements pursuant to the service plan, or otherwise pursuant to an intergovernmental agreement with the City. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

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

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

## ILIFF COMMONS METROPOLITAN DISTRICT #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 governmental funds balance sheet/statement of net position and the governmental funds statement of 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.

## ILIFF COMMONS METROPOLITAN DISTRICT #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 non-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 the year, the District amended its total appropriations in the Debt Service Fund from \$232,417 to \$241,489 primarily due to interest on the Series 2020B Bonds, and the Capital Projects Fund from \$0 to \$1,885,770 primarily due issuance of the Series 2020B Bonds. However, the District exceeded its total appropriations in the General Fund, which may be a violation of State budget law.

### Assets, Liabilities and Net Position

#### Fair Value of Financial Instruments

The District's financial instruments include cash and investments, 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 investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition.

## ILIFF COMMONS METROPOLITAN DISTRICT #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.

### 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.

### 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 only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 Discount and Loss on Refunding

Loss on refunding on the 2019 Bonds is being amortized over the term of the bonds using the interest method. Accumulated amortization at December 31, 2020 was \$2,094.

### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

## ILIFF COMMONS METROPOLITAN DISTRICT #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 capital 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. As of December 31, 2020, all capital assets have been conveyed to the City of Aurora.

### 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 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.

### Long-Term Obligations

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

### Fund Equity

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

### Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$2,465 represents prepaid expenditures.

## ILIFF COMMONS METROPOLITAN DISTRICT #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 \$797 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 \$16,959 is restricted for the payment of the debt service costs associated with the General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Loan Series 2019A (see Note 3).

The restricted fund balance in the Capital Projects Fund is restricted for the payment of capital improvements.

### 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 other 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.

### 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.

### 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. The District has no amount to report in this category.

## ILIFF COMMONS METROPOLITAN DISTRICT #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.

#### 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	\$ 16,706
Cash and investments - restricted	<u>19,702</u>
Total	<u>\$ 36,408</u>

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

Deposits with financial institutions	\$ 1,414
Investments – COLOTRUST	33,815
Investments - CSAFE	<u>1,179</u>
	<u>\$ 36,408</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% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

## ILIFF COMMONS METROPOLITAN DISTRICT #2

Notes to Financial Statements  
December 31, 2020

### Investments

#### Investment Valuation

The District categorizes its fair value measurements 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. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost. The District also invests in COLOTRUST which is not required to be categorized within the fair value hierarchy as this investment's value is calculated using the net asset (NAV) per share

#### Credit Risk

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

#### Custodial and Concentration of Credit Risk

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

#### Interest Rate Risk

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

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

#### CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust ("CSAFE"), is rated AAAM by Standard and Poor's and the maturity is weighted average under 60 days. 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. CSAFE records its investments at amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period. At December 31, 2020, the District's custodian had \$1,179 invested in CSAFE, all held by a trustee.

## ILIFF COMMONS METROPOLITAN DISTRICT #2

Notes to Financial Statements  
December 31, 2020

### 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 COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST 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 COLOTRUST. Substantially all securities owned by COLOTRUST 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 \$33,815 invested in COLOTRUST.

### Note 3: Long Term Debt

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

#### Taxable (Convertible to Tax-Exempt) General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Loan Series 2019A

On December 4, 2019, the District issued a Taxable (Convertible to Tax-Exempt) General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding and Improvement Loan Series 2019A (the “Loan”) for \$3,200,000 for the purposes of financing or reimbursing a portion of the Project and refunding the 2015A and 2015B at a lower interest rate. The Loan shall be initially issued bearing Taxable Interest of 4.350% until the Tax-Exempt Reissuance Date on the condition that the Tax-Exempt Reissuance Option is satisfied where it will bear Tax-Exempt interest at 3.30%. Interest payments are due on June 1 and December 1 each year beginning June 1, 2020 while principal payments are due on December 1 each year beginning December 1, 2020 through December 1, 2044. The Loan is secured by the Required Mill Levy, Specific Ownership Taxes, and all other legally available moneys which the District, in its sole discretion, has deposited with the Custodian with instructions to apply such amounts as Pledge Revenue. The Loan may be prepaid prior to the Maturity Date, at the option of the District, in whole or in part, on any date, at a prepayment price equal to the sum of the 2019A Loan Balance plus accrued interest thereon to the date of prepayment, with no prepayment fee or penalty. On September 3, 2020, the Tax-Exempt Reissuance Option was satisfied, and the interest rate converted to the Tax-Exempt rate of 3.3%.

## ILIFF COMMONS METROPOLITAN DISTRICT #2

### Notes to Financial Statements December 31, 2020

#### Subordinate Limited Tax General Obligation Bonds, Series 2020B

On February 18, 2020 the District issued \$1,123,000 of Subordinate Limited Tax General Obligation Bonds, Series 2020B (“2020B Bonds”), for the purpose of providing reimbursement for the costs of certain public improvements for the District, and paying the cost of issuance of the Series 2020B Bonds. The 2020B Bonds bear interest at the rate of 6.5% per annum. The 2020B Bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the 2020B Bonds remain outstanding on December 16, 2055, such amounts shall be deemed discharged and shall no longer be due and outstanding.

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>Current</u> <u>Portion</u>
<b><u>General Obligation Debt</u></b>					
Series 2019A	3,200,000	-	45,000	3,155,000	70,000
Series 2020B	-	1,123,000	-	1,123,000	-
<b><u>Other</u></b>					
Developer Payable - Capital	201,101	762,729	963,830	-	-
Developer Payable - Operations	5,095	7,095	-	12,190	-
Total	<u>\$ 3,406,196</u>	<u>\$ 1,892,824</u>	<u>\$ 1,008,830</u>	<u>\$ 4,290,190</u>	<u>\$ 70,000</u>

The following is a summary of the annual long-term debt principal and interest requirements for the 2019A Loan:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	70,000	105,561	175,561
2022	75,000	103,219	178,219
2023	75,000	100,710	175,710
2024	85,000	98,469	183,469
2025	85,000	95,356	180,356
2026-2030	505,000	431,013	936,013
2031-2035	645,000	337,122	982,122
2036-2040	820,000	218,051	1,038,051
2041-2044	795,000	68,107	863,107
	<u>\$ 3,155,000</u>	<u>\$1,557,608</u>	<u>\$ 4,712,608</u>

## ILIFF COMMONS METROPOLITAN DISTRICT #2

Notes to Financial Statements  
December 31, 2020

### Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$2,343,380. The District has not budgeted to issue any new debt during 2021. Per the District's Service Plan, the District can not issue debt in excess of \$6,810,000.

### Note 4: Related Party

All of the Board of Directors which are employees, owners or are otherwise associated with the Iliff Commons District Investors, LLC, ("the Company") may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

### Note 5: Other Agreements

#### Advance and Reimbursement Agreement

On February 6, 2014, the District and the Company entered into an Advance and Reimbursement Agreement pursuant to which the District acknowledged the organization costs paid by the Company's predecessors on behalf of the Districts. The parties also agreed that additional advances would be available to the District as needed and interest of 7% would accrue on any outstanding balance. On December 4, 2018, an Amendment to Advance and Reimbursement Agreement was approved agreeing, that the Company in its sole discretion may provide Advances to the District upon receipt of substantiation for the need from the District. As of December 31, 2020, the outstanding advances totaled \$12,190.

#### Infrastructure Acquisition Agreement

On December 4, 2014, the District entered into the Infrastructure Acquisition Agreement with the Company, pursuant to which the District agreed to purchase improvements constructed by the Company at a purchase price equal to the actual costs of construction. Per the Engineer's report dated April 30, 2015, TTG Engineers determined that the construction cost reimbursement value of these improvements to be \$2,669,586. The transfer to the District occurred on May 15, 2015. The Company was repaid \$1,582,565 with the issuance of the 2015A Bonds and the 2015B Bonds and \$885,920 with the issuance of the 2019A Loan, respectively. During 2020, this was paid in full.

### Note 6: Tax, Spending and Debt Limitations

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

## ILIFF COMMONS METROPOLITAN DISTRICT #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 May 2, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

### Note 7: Risk Management

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

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

## ILIFF COMMONS METROPOLITAN DISTRICT #2

Notes to Financial Statements  
December 31, 2020

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) 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 Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) 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;
- 2) Governmental funds report developer advances and/or bond proceeds as revenue; and,
- 3) Governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

## ILIFF COMMONS METROPOLITAN DISTRICT #2

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

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 214,473	\$ 214,473	\$ 214,354	\$ (119)
Specific ownership taxes	12,848	12,848	15,198	2,350
Interest income	<u>2,500</u>	<u>2,500</u>	<u>656</u>	<u>(1,844)</u>
Total Revenues	<u>229,821</u>	<u>229,821</u>	<u>230,208</u>	<u>387</u>
<b>EXPENDITURES</b>				
Loan principal expense - 2019A	85,000	45,000	45,000	-
Loan interest expense - 2019A	139,200	130,000	129,827	173
Subordinate Bond interest - 2020B	-	56,000	55,866	134
Paying agent fees	5,000	7,272	2,500	4,772
Treasurer's fees	<u>3,217</u>	<u>3,217</u>	<u>3,216</u>	<u>1</u>
Total Expenditures	<u>232,417</u>	<u>241,489</u>	<u>236,409</u>	<u>5,080</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,596)</b>	<b>(11,668)</b>	<b>(6,201)</b>	<b>5,467</b>
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>551,988</u>	<u>25,000</u>	<u>23,160</u>	<u>(1,840)</u>
END OF YEAR	<u>\$ 549,392</u>	<u>\$ 13,332</u>	<u>\$ 16,959</u>	<u>\$ 3,627</u>

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

**ILIFF COMMONS METROPOLITAN DISTRICT #2**

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

For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Interest income	\$ -	\$ 41	\$ 41	\$ -
Total Revenues	<u>-</u>	<u>41</u>	<u>41</u>	<u>-</u>
<b>EXPENDITURES</b>				
Bond issuance costs	-	159,211	156,216	2,995
Facilities acquisition	-	762,729	762,729	-
Repay developer advances - principal	<u>-</u>	<u>963,830</u>	<u>963,830</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>1,885,770</u>	<u>1,882,775</u>	<u>2,995</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	-	(1,885,729)	(1,882,734)	2,995
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	1,123,000	1,123,000	-
Developer advances	<u>-</u>	<u>762,729</u>	<u>762,729</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,885,729</u>	<u>1,885,729</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	2,995	2,995
<b>FUND BALANCE:</b>				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,995</u>	<u>\$ 2,995</u>

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

**ILIFF COMMONS METROPOLITAN DISTRICT #2**

SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED

December 31, 2020

(Unaudited)

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>General Fund</u>	<u>Mills Levied Debt Service</u>	<u>Contract</u>	<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
					<u>Levied</u>	<u>Collected</u>	
2014	\$ 166,410	50.000	0.000	0.000	\$ 8,321	\$ 8,321	100.01%
2015	\$ 294,629	50.000	0.000	0.000	\$ 14,731	\$ 14,732	100.00%
2016	\$ 440,807	5.000	45.000	1.000	\$ 22,481	\$ 22,481	100.00%
2017	\$ 1,733,261	5.000	45.000	1.000	\$ 88,396	\$ 88,271	99.86%
2018	\$ 3,599,465	5.392	48.533	1.078	\$ 197,981	\$ 197,981	100.00%
2019	\$ 3,940,904	5.460	49.144	1.092	\$ 219,493	\$ 219,492	100.00%
2020	\$ 4,333,746	5.498	49.489	1.099	\$ 243,062	\$ 238,168	97.99%
Estimated for year ending December 31, 2021	\$ 4,410,646	5.494	54.988	1.098	\$ 271,608		

**NOTE**

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.