

**LAMBERTSON FARMS
METROPOLITAN DISTRICT NO. 1**

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lambertson Farms Metropolitan District No. 1
City and County of Broomfield, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lambertson Farms Metropolitan District No. 1 (the District), City and County of Broomfield, 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 (U.S. GAAP); 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 Lambertson Farms Metropolitan District No. 1, City and County of Broomfield, Colorado, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. GAAP.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 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 is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund is the responsibility of management and was 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.

Hiratsuka & Associates, LLP

September 29, 2021
Wheat Ridge, Colorado

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 2,712	\$ -	\$ 2,712	\$ -	\$ 2,712
Cash and investments - restricted	1,887	881,455	883,342	-	883,342
Accounts receivable:					
Other governments	15,379	-	15,379	-	15,379
Sales taxes	-	273,036	273,036	-	273,036
Total Assets	<u>\$ 19,978</u>	<u>\$ 1,154,491</u>	<u>\$ 1,174,469</u>	<u>-</u>	<u>\$ 1,174,469</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	606,195	\$ 606,195
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>606,195</u>	<u>\$ 606,195</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,978</u>	<u>\$ 1,154,491</u>	<u>\$ 1,174,469</u>		
LIABILITIES					
Accounts payable	\$ 14,359	\$ -	\$ 14,359	-	\$ 14,359
Accrued interest on bonds	-	-	-	76,512	76,512
Long-term liabilities:					
Due within one year	-	-	-	890,000	890,000
Due in more than one year	-	-	-	32,727,914	32,727,914
Total Liabilities	<u>14,359</u>	<u>-</u>	<u>14,359</u>	<u>33,694,426</u>	<u>\$ 33,708,785</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	1,887	-	1,887	(1,887)	-
Debt service	-	1,154,491	1,154,491	(1,154,491)	-
Unassigned	<u>3,732</u>	<u>-</u>	<u>3,732</u>	<u>(3,732)</u>	<u>-</u>
Total Fund Balances	<u>5,619</u>	<u>1,154,491</u>	<u>1,160,110</u>	<u>(1,160,110)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 19,978</u>	<u>\$ 1,154,491</u>	<u>\$ 1,174,469</u>		
Net Position:					
Restricted for:					
Emergencies				1,887	1,887
Debt service				1,077,979	1,077,979
Unrestricted				<u>(33,007,987)</u>	<u>(33,007,987)</u>
Total Net Position				<u>(31,928,121)</u>	<u>\$ (31,928,121)</u>

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

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

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>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 16,119	\$ -	\$ 16,119	\$ -	\$ 16,119
Insurance	7,638	-	7,638	-	7,638
Legal	9,559	-	9,559	-	9,559
Management fees	45,000	-	45,000	-	45,000
Landscape maintenance	45,167	-	45,167	-	45,167
Debt Service:					
Bond principal	-	845,000	845,000	(845,000)	-
Bond interest expense	-	1,878,538	1,878,538	116,110	1,994,648
Paying agent fees	-	4,000	4,000	-	4,000
Developer advances interest expense	-	-	-	54,742	54,742
	<u>123,483</u>	<u>2,727,538</u>	<u>2,851,021</u>	<u>(674,148)</u>	<u>2,176,873</u>
Total Expenditures					
GENERAL REVENUES					
Sales taxes	-	1,242,886	1,242,886	-	1,242,886
Transfer from other governments	60,124	1,046,238	1,106,362	-	1,106,362
Interest income	-	11,979	11,979	-	11,979
	<u>60,124</u>	<u>2,301,103</u>	<u>2,361,227</u>	<u>-</u>	<u>2,361,227</u>
Total General Revenues					
NET CHANGES IN FUND BALANCES	(63,359)	(426,435)	(489,794)	489,794	
CHANGE IN NET POSITION				184,354	184,354
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>68,978</u>	<u>1,580,926</u>	<u>1,649,904</u>	<u>(33,762,379)</u>	<u>(32,112,475)</u>
END OF YEAR	<u>\$ 5,619</u>	<u>\$ 1,154,491</u>	<u>\$ 1,160,110</u>	<u>\$ (33,088,231)</u>	<u>\$ (31,928,121)</u>

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

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Transfer from other governments	\$ 63,563	\$ 63,563	\$ 60,124	\$ (3,439)
Miscellaneous income	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total Revenues	<u>64,563</u>	<u>64,563</u>	<u>60,124</u>	<u>(4,439)</u>
EXPENDITURES				
Accounting and audit	12,000	12,000	16,119	(4,119)
Insurance	9,000	7,638	7,638	-
Legal	3,000	10,316	9,559	757
Management fees	45,000	41,250	45,000	(3,750)
Miscellaneous expenses	300	250	-	250
Landscape maintenance	35,056	51,000	45,167	5,833
Emergency reserve	<u>3,131</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>107,487</u>	<u>122,454</u>	<u>123,483</u>	<u>(1,029)</u>
NET CHANGE IN FUND BALANCE	(42,924)	(57,891)	(63,359)	(5,468)
FUND BALANCE:				
BEGINNING OF YEAR	<u>42,930</u>	<u>71,218</u>	<u>68,978</u>	<u>(2,240)</u>
END OF YEAR	<u>\$ 6</u>	<u>\$ 13,327</u>	<u>\$ 5,619</u>	<u>\$ (7,708)</u>

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

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Lambertson Farms Metropolitan District No. 1, (“the District”), located in the City and County of Broomfield, 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 December 12, 2002 in conjunction with Lambertson Farms Metropolitan District No. 2 (the “Residential District”) and Lambertson Farms Metropolitan District No. 3, (the “Commercial District”), as a quasi-municipal organization established under the State of Colorado Special District Act. The Residential District and the Commercial District are collectively known as the “Taxing Districts”. The District was established to provide financing, acquisition, and construction of certain essential public facilities for the use and benefit of the inhabitants and taxpayers of real property within the boundaries of the District and the Taxing Districts. The District is governed by an elected Board of Directors.

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

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

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

Basis of Presentation

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

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2020

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 sales taxes, service expansion fees, developer advances and developer contributions. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

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.

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

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.

The District amended its total appropriations in the General Fund from \$107,294 to \$122,454 primarily due to additional landscape maintenance costs.

Total expenditures in the General Fund exceeded appropriations by \$1,029 which might be a violation of state budgetary laws.

Assets, Liabilities, Deferred Outflows/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.

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

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. As of December 31, 2020, the District 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 no items that qualify for reporting in this category.

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 Loss on Refunding

Deferred loss on refunding from the Series 2015 Bonds is being amortized over the respective terms of the bonds using the interest method. Accumulated amortization of the deferred loss on refunding amounted to \$700,100 at December 31, 2020.

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2020

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.

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. In 2017, all remaining assets were conveyed to another governmental entity.

Property Taxes

Property taxes are levied by the Taxing Districts' 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 30 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 Taxing Districts. The District receives from the Taxing Districts such taxes, rates, fees and charges needed to fund the costs of the administration and operations of all Districts.

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:

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2020

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.

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 \$1,887 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 \$1,154,491 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2015 (see Note 3).

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 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.

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2020

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. The District had no amounts which qualified for reporting in this category.

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 is 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	\$ 2,712
Cash and investments - restricted	<u>883,342</u>
Total	<u>\$ 886,054</u>

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

Deposits with financial institutions	\$ 4,599
Investments - COLOTRUST	<u>881,455</u>
	<u>\$ 886,054</u>

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2020

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.

Investments:

Credit Risk

The District has adopted a formal investment policy therefore 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.

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. This investment’s value is calculated using the net asset value method (NAV) per share.

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2020

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. 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 \$881,455 invested in COLOTRUST.

Note 3: Long Term Debt:

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

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Current Portion
<u>General Obligation Debt:</u>					
Series 2015 Bonds	\$ 33,085,000	\$ -	\$ 845,000	\$ 32,240,000	\$ 890,000
<u>Obligations from Direct Borrowings or Direct Placements:</u>					
Promissory note - principal	1,091,060	-	-	1,091,060	-
Promissory note - accrued interest	219,468	54,553	-	274,021	-
	1,310,528	54,553	-	1,365,081	-
<u>Other:</u>					
Developer guaranty - principal	3,000	-	-	3,000	-
Developer guaranty - accrued interest	9,644	189	-	9,833	-
	12,644	189	-	12,833	-
Total Long-Term Debt	\$ 34,408,172	\$ 54,742	\$ 845,000	\$ 33,617,914	\$ 890,000

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2020

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

Series 2015 Bonds

On December 23, 2015, the District authorized the issuance of Revenue Refunding and Improvement Bonds Series 2015 (the "Series 2015 Bonds"), dated December 15, 2015 for refunding of the outstanding Revenue Bonds Series 2006 and the Revenue Bonds Series 2007. The Series 2015 Bonds are term bonds due on December 15, 2050. The Series 2015 Bonds bear interest at rates between 5% and 6%, payable semiannually on each June 15 and December 15, commencing on June 15, 2016. The Series 2015 Bonds are subject to mandatory sinking fund redemption commencing on December 15, 2018. The Series 2015 Bonds maturing on and after December 15, 2025, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities (and if in part in such order of maturities as the District is to determine and by lot within maturities), on December 15, 2023, and on any date thereafter, upon payment of par, and accrued interest thereon, without redemption premium. The District realized a net present value loss of \$796,163 by refunding the Series 2006 and Series 2007 Bonds.

The 2015 Bonds are secured by and payable from the Pledged Revenue consisting primarily of: a) property tax revenue derived from a limited mill levy of 35 mills, b) minimum mill levies of 32 mills for District No. 2 and 29 mills for District No. 3; c) certain shared sales taxes and service expansion fees payable by the City and County of Broomfield; and d) facilities fees imposed on property in District No. 2.

Advance refunding of debt

The Series 2015 Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the 2015 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,306,295. This loss on refunding is recorded as a deferred outflow and is being amortized over the remaining life of the refunded Series 2006 and Series 2007 Bonds using the effective interest method.

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Notes to Financial Statements
December 31, 2020

The following is a summary of the annual long-term debt principal and interest requirements for the 2015 Bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 890,000	\$ 1,836,288	\$ 2,726,288
2022	1,030,000	1,791,788	2,821,788
2023	1,080,000	1,740,288	2,820,288
2024	1,220,000	1,686,288	2,906,288
2025	1,350,000	1,625,288	2,975,288
2026-2030	730,000	7,665,463	8,395,463
2031-2035	770,000	7,524,663	8,294,663
2036-2040	4,165,000	6,998,375	11,163,375
2041-2045	7,820,000	5,374,575	13,194,575
2046-2050	<u>13,185,000</u>	<u>2,701,647</u>	<u>15,886,647</u>
	<u>\$ 32,240,000</u>	<u>\$ 38,944,663</u>	<u>\$ 71,184,663</u>

Debt Service Guaranty Payment Agreement

The Series 2007 Bonds were further secured by a Debt Service Guaranty Payment agreement with the developer. If the District had insufficient funds to make the debt service payment, the developer would advance the shortfall amount to the trustee not to exceed \$2,394,978. The amounts earn interest at the rate of 6.3% per annum. The agreement terminated on December 27, 2013, however, the remaining balances are still owed. At the issuance of the Series 2015 Bonds, an amount of \$295,996 representing principal and interest was repaid to the developers. As of December 31, 2020, the remaining amounts were \$3,000 in principal and \$9,833 in accrued interest.

Agreement for Purchase and Sale of Real Estate

On December 19, 2007, the District purchased real estate (“Tract B”) from Lambertson Family, LLLP (“the seller”), in the amount of \$3,350,000 for the purposes of open space. The agreement for purchase required the District to pay \$2,400,000 from the Series 2007 Bond proceeds to the seller and \$950,000 in the form of a Promissory Note (see below). The seller had agreed to deposit \$2,394,978 of that amount into a trust to be held for future debt service requirements pursuant to the Debt Service Guaranty Payment Agreement (see above).

Promissory Note

A Promissory Note in the amount of \$950,000 was executed on December 19, 2007, to pay the remaining amount due in the Agreement for Purchase and Sale of Real Estate. In 2008, the original transaction was restructured to recognize an additional amount of \$2,400,000 used by the District for funding public infrastructure improvements, therefore increasing the note to \$3,350,000 at 5% simple interest per annum until paid. The re-payment amount is payable from any legally available funds of the District not otherwise appropriated or obligated.

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Notes to Financial Statements December 31, 2020

However, if such re-payments have not been made by December 31, 2037, the payment obligation shall terminate completely and unconditionally for all purposes. Due to the issuance of the Series 2015 Bonds, the amount including principal and interest of \$3,513,435 was repaid to the sellers. As of December 31, 2020, the remaining amounts were \$1,091,060 in principal and \$274,021 in accrued interest.

Developer advance

On December 12, 2006, the District entered into an Interim Funding agreement with McKay Shores Construction Corporation (“the Company”), the owner and developer of all property within the District. The agreement was amended on December 19, 2007. Under the terms of the amended agreement, the Company agrees to advance certain amounts to the District for financing construction of public infrastructure improvements. Advances include any amounts paid by the Company prior to the agreement, and up to \$4,950,000 for acquisition, construction, management, and operating expenses incurred by the District for future improvements. The agreement was amended in 2009 to allow for advances up to \$8,500,000. Any obligation for future advances is reduced by the proceeds from bonds issued after January 1, 2009. The District was to repay advances from bond proceeds and other legally available revenue, together with interest at 5.5% compounded annually. On December 1, 2015, the agreement was again amended and restated. Due to the issuance of the Series 2015 Bonds, the amount including principal and interest of \$8,136,945 was repaid to the Company. \$1,104,870 was forgiven by the Company. The Company agrees to advance amounts to the District in order to provide funds for the operations and maintenance costs not to exceed \$500,000 unless approved by the Company. This obligation of the Company expires December 31, 2020. The Company has agreed that it shall not be reimbursed for any advances made under this amended agreement, therefore, the advances are shown as contributions in the financial statements. The total amount contributed since the execution of this second amendment is \$453,720. No contributions were made to the District in 2020.

Note 4: Debt Authorization

As of December 31, 2020, the District had remaining voted debt authorization of approximately \$1,160,000. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District’s service area, however, the District has not budgeted to issue any new debt in 2020. The District’s qualified voters in the 2002 and 2007 elections approved District indebtedness of up to \$44,500,000. Per the District’s Amended Service Plan, the District cannot issue debt in excess of \$35,000,000.

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2020

Note 5: Agreements

District Management

On December 19, 2007, the District entered into a contract for district management services. The agreement is for the manager to provide services to coordinate and work with engineers, planners, contractors, various jurisdictions, attorneys, trustees, bond professionals, accountants, and others to accomplish the goals of the District. On November 20, 2014, the agreement was renewed for the year ended December 31, 2015. The manager was paid \$13,750 on a monthly basis for December 20, 2014 through June 20, 2015 and from July 20, 2015 to December 20, 2015, \$7,083.33 on a monthly basis. This agreement was renewed through the year ended December 31, 2020 at a rate of \$3,750 per month and was again renewed through 2021 at a rate of \$2,500 per month.

Inter-District Construction and Service Agreement

On December 12, 2006, the District entered into a Construction and Service Agreement with the Taxing Districts, under which the District coordinates the financing, acquisition, construction, installation, completion, operation, maintenance and repair of public improvements and the management, administration and provision of services within the Lambertson Farms Development, and the Taxing Districts will financially support the repayment of bonds and other obligations incurred in connection with the completion, operation, maintenance and repair of public improvements and the management, administration and provision of services by the District.

Development and Reimbursement Agreement

On June 27, 2006, the District entered into a Development and Reimbursement Agreement with the City and County of Broomfield, Colorado (“the City”). The City will reimburse the District for certain Eligible Public Improvements and Eligible Retail Improvements that are or will be owned by the City and are available for use by the general public and in the service of essential governmental functions, which the District shall construct and turn over to the City upon approval and acceptance by the City. Construction of the Eligible Public Improvements shall occur no later than December 31, 2008, and construction of the Eligible Retail Improvements shall occur no later than December 31, 2009. Maximum net reimbursement by the City shall not exceed \$5,806,116 for Eligible Public Improvements and \$1,489,084 for Eligible Retail Improvements.

On October 23, 2007, this agreement was amended to increase the maximum reimbursement amount for eligible public improvements to \$8,272,200 and to eliminate the deadlines for construction of the eligible public and retail improvements. The net reimbursement amount is multiplied by a factor of 2.7 to calculate the total gross maximum reimbursements the District may receive. This total gross maximum reimbursement amount for the District is \$22,334,940. Additionally, the City shall pay to the District any Service Expansion Fees collected on residential developments. During 2020, the District did not receive any Service Expansion Fees.

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Notes to Financial Statements December 31, 2020

The City also agrees to deposit one-half of the available 3.5% sales tax from sales, rentals, services within the District and one-half of the service expansion fees collected by the City into a special revenue fund held by the bond trustee, from which to make disbursements, until December 31, 2029, or payment in full of the reimbursement obligation, whichever is the first to occur. In 2020, the District received \$1,242,886 in sales taxes from the City.

Note 6: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developers, and 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 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.

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 6, 2007 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.

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Notes to Financial Statements
December 31, 2020

Note 8: Risk Management

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

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

Note 9: 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 may 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 may 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; and,
- 2) 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

LAMBERTSON FARMS METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Sales taxes	\$ 1,160,000	\$ 1,242,886	\$ 82,886
Transfer from other governments	1,057,017	1,046,238	(10,779)
Interest income	<u>15,000</u>	<u>11,979</u>	<u>(3,021)</u>
Total Revenues	<u>2,232,017</u>	<u>2,301,103</u>	<u>69,086</u>
EXPENDITURES			
Bond principal	845,000	845,000	-
Bond interest expense	1,878,538	1,878,538	-
Paying agent fees	10,000	4,000	6,000
Reserve Fund	815,860	-	815,860
Surplus Fund	<u>2,619</u>	<u>-</u>	<u>2,619</u>
Total Expenditures	<u>3,552,017</u>	<u>2,727,538</u>	<u>824,479</u>
NET CHANGE IN FUND BALANCE	(1,320,000)	(426,435)	893,565
FUND BALANCE:			
BEGINNING OF YEAR	<u>1,320,000</u>	<u>1,580,926</u>	<u>260,926</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 1,154,491</u>	<u>\$ 1,154,491</u>

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