

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2021

With

Independent Auditors' Report

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	I
<u>Basic Financial Statements</u>	
Balance Sheet/Statement of Net Position – Governmental Funds	1
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities – Governmental Funds	2
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	3
Notes to Financial Statements	4
<u>Supplemental Information</u>	
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund	15
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	16
<u>Continuing Disclosure Annual Financial Information – Unaudited</u>	
Assessed and Actual Valuation of Classes of Property in the District	17
Mill Levy Recap	18
Selected Debt Ratios	19
Estimated Overlapping General Obligation Debt	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fossil Ridge Metropolitan District No. 2

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Fossil Ridge Metropolitan District No. 2, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Fossil Ridge Metropolitan District No. 2, as of December 31, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fossil Ridge Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fossil Ridge Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fossil Ridge Metropolitan District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fossil Ridge Metropolitan District No. 2s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fossil Ridge Metropolitan District No. 2's basic financial statements. The Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Debt Service Fund and Summary of Assessed Valuation, Mill Levy and Property Taxes Collected are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the continuing disclosure annual financial information, as listed in the table of contents .Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Haynie & Company

Littleton, Colorado
July 26, 2022

BASIC FINANCIAL STATEMENTS

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets					
Cash and investments - unrestricted	\$ 41,472	\$ -	\$ 41,472	\$ -	\$ 41,472
Cash and investments - restricted	-	19,102	19,102	-	19,102
Receivable from county treasurer	2,638	12,796	15,434	-	15,434
Prepaid expenditures	2,895	-	2,895	-	2,895
Property taxes receivable	146,946	801,523	948,469	-	948,469
Total Assets	<u>\$ 193,951</u>	<u>\$ 833,421</u>	<u>\$ 1,027,372</u>	<u>\$ -</u>	<u>\$ 1,027,372</u>
Liabilities					
Due to District No. 1	\$ 7,495	\$ -	\$ 7,495	\$ -	\$ 7,495
Due to District No. 3	-	31,898	31,898	-	31,898
Total Liabilities	<u>7,495</u>	<u>31,898</u>	<u>39,393</u>	<u>-</u>	<u>39,393</u>
Deferred Inflows of Resources					
Deferred property taxes	146,946	801,523	948,469	-	948,469
Total Deferred Inflows of Resources	<u>146,946</u>	<u>801,523</u>	<u>948,469</u>	<u>-</u>	<u>948,469</u>
Fund Balance/Net Position					
Fund Balance					
Nonspendable:					
Prepaid expenditures	2,895	-	2,895	(2,895)	-
Restricted :					
Emergency reserve	4,600	-	4,600	(4,600)	-
Conservation trust funds	5,062	-	5,062	(5,062)	-
Unrestricted:					
Unassigned	26,953	-	26,953	(26,953)	-
Total Fund Balance	<u>39,510</u>	<u>-</u>	<u>39,510</u>	<u>(39,510)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 193,951</u>	<u>\$ 833,421</u>	<u>\$ 1,027,372</u>		
Net Position					
Restricted for:					
Emergency reserve				4,600	4,600
Conservation trust funds				5,062	5,062
Unrestricted				29,848	29,848
Total Net Position				<u>\$ 39,510</u>	<u>\$ 39,510</u>

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General	Debt Service	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 145,013	\$ 797,571	\$ 942,584	\$ -	\$ 942,584
Specific ownership taxes	11,075	60,914	71,989	-	71,989
Interest	684	-	684	-	684
Conservation trust funds	1,961	-	1,961	-	1,961
Total Revenues	<u>158,733</u>	<u>858,485</u>	<u>1,017,218</u>	<u>-</u>	<u>1,017,218</u>
Expenditures					
Audit	4,600	-	4,600	-	4,600
Dues and memberships	409	-	409	-	409
Insurance	2,404	-	2,404	-	2,404
Transfer to District No. 1	140,500	-	140,500	-	140,500
Transfer to District No. 3	-	895,574	895,574	-	895,574
County treasurer fees	2,176	11,971	14,147	-	14,147
Total Expenditures	<u>150,089</u>	<u>907,545</u>	<u>1,057,634</u>	<u>-</u>	<u>1,057,634</u>
Net Change in Fund Balance	8,644	(49,060)	(40,416)	40,416	-
Change in Net Position	-	-	-	(40,416)	(40,416)
Fund Balance/Net Position					
Beginning of Year	30,866	49,060	79,926	-	79,926
End of Year	<u>\$ 39,510</u>	<u>\$ -</u>	<u>\$ 39,510</u>	<u>\$ -</u>	<u>\$ 39,510</u>

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 144,756	\$ 145,013	\$ 257
Specific ownership taxes	8,685	11,075	2,390
Conservation trust funds	1,570	1,961	391
Interest	100	684	584
Total Revenues	<u>155,111</u>	<u>158,733</u>	<u>3,622</u>
Expenditures			
Audit	4,600	4,600	-
Dues and subscriptions	400	409	(9)
Insurance	1,800	2,404	(604)
County treasurer fees	2,171	2,176	(5)
Transfer to District No. 1	140,500	140,500	-
Emergency reserve	4,653	-	4,653
Total Expenditures	<u>154,124</u>	<u>150,089</u>	<u>4,035</u>
Net Change in Fund Balance	987	8,644	7,657
Beginning Fund Balance	<u>31,745</u>	<u>30,866</u>	<u>(879)</u>
Ending Fund Balance	<u>\$ 32,732</u>	<u>\$ 39,510</u>	<u>\$ 6,778</u>

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

Note 1:

Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 2 (District), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal corporation and political subdivision of the State of Colorado pursuant to the Colorado Special District Act. At the time of organization, the Fossil Ridge Metropolitan District No. 1 (District No. 1) and the Fossil Ridge Metropolitan District No. 3 (District No. 3) were also organized (collectively, the Districts). All three Districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that District No. 1 is the "Operating District" and the District and District No. 3 are the "Taxing Districts". The Taxing Districts are to provide funding to the Operating District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures and change in fund balance/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets plus deferred outflows of resources and the (b) liabilities plus 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, specific ownership 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

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 the financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs. The resources are transferred to District No. 3 for payment to the bondholders.

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

Budgetary Accounting

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

For the year ended December 31, 2021, supplementary appropriations approved by the District's board of directors modified the appropriation from \$811,942 to \$907,545 in the Debt Service Fund.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, 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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

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 has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Property Taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The county treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The county treasurer remits the taxes collected monthly to the District.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

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

Fund Equity

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

Nonspendable Fund Balance

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

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 also includes unspent Conservation Trust Funds (CTF).

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 \$4,600 of the General Fund balance has been reserved in compliance with this requirement. The restricted fund balance in the General Fund also includes \$5,062 of unspent CTF available for the ensuing fiscal year.

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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

Net Position

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

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

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

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

When an expense is incurred for 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, 2021 cash and investments are classified in the accompanying statement of net position as follows:

Cash and investments-unrestricted	\$ 41,472
Cash and investments-restricted	<u>19,102</u>
Total	<u>\$ 60,574</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 21,839
Investments – Colotrust	<u>38,735</u>
Total	<u>\$ 60,574</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

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. At December 31, 2021, the District's cash deposits had a bank and carrying balance of \$21,839.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's 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.

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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2021

As of December 31, 2021, the District had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST or Trust) is rated AAAM by S&P Global Ratings with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. There are no unfunded commitments, the redemption period frequency is daily, and there is not redemption notice period. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2021, the District had \$38,735 invested in COLOTRUST.

Note 3:

Long-Term Obligations

Joint Funding and Capital Pledge Agreement

In 2009 and 2014 the District entered into Joint Funding Agreements with Districts No. 1 and No. 3 for the purpose of providing for the payment of debt in Districts No. 1 and No. 3. In connection with the 2020 issuance of District No. 3's refunding and improvement bonds, on October 29, 2020, the Districts entered into a termination of pledge agreement, terminating the 2009 and 2014 Joint Funding Agreements. On October 29, 2020, the District entered into a Joint Funding and Capital Pledge Agreement (2020 Joint Funding Agreement) with Districts No. 1 and No. 3. Whereas the 2009 Joint Funding Agreement, as amended, contemplated that any subsequent debt obligations secured by ad valorem property taxes would be issued by District No. 1, the Districts subsequently determined that it would be in the best interest of the Districts, the residents and the taxpayers thereof: (i) for such indebtedness to be issued by District No. 3, (ii) for such indebtedness to be payable from such ad valorem property taxes and specific ownership taxes of the Taxing Districts for the purpose of prepaying in full District No. 1's Series 2010 Bonds, District No. 3's Series 2014 Bonds and Series 2016 Bonds, and reimbursing the Developer (defined below) for an additional portion of the public improvements constructed by the Developer or funds advanced to District No. 1.

Under the 2020 Joint Funding Agreement, the Taxing Districts are obligated to provide for the payment to District No. 3's trustee of certain property taxes and specific ownership taxes collected for the purpose of paying debt service on District No. 3's Series 2020 Bonds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

Debt Authorization

As of December 31, 2021, the District had remaining voted debt authorization of approximately \$702,325,000. The District did not issue new debt during 2021. Per the District's Service Plan, the District, in combination with Districts No. 1 and No. 3, cannot issue more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt. As of December 31, 2021, the Districts have issued \$38,130,000 in general obligation debt, the proceeds of which were paid to the Developer.

Note 4:

District Agreements

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement (Master IGA) with District No. 1 and District No. 3. Per the IGA, District No. 1 is to construct, own, maintain and operate the facilities benefiting the District and District No. 3, which may include the borrowing of funds or issuance of revenue bonds. The District and District No. 3 are to pay all costs related to the construction, operation and maintenance of such facilities, including the payment of amounts owing in connection with bonds issued to finance such facilities. Such financial obligations are to be paid from bond proceeds (to the Developer), the District's annual certification of a mill levy, homeowner assessments and various fees subject to the limitations of the Service Plan. The original maximum mill levy was 50 mills. However, at the time of its organization the District's voters authorized the District to adjust its property tax rate as necessary to receive the same revenue it would have received but for any reduction in the residential assessment rate required by the Gallagher Amendment to the Colorado Constitution. As a result of this prior voter authorization, the maximum mill levy at December 31, 2021 is 55.664 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees and the transfers of funds between Districts.

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, District No. 1 and Carma Lakewood LLC entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement (Loan Agreement). On December 6, 2011 Carma Lakewood LLC, Solterra LLC and District No. 1 entered into an Assignment of Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement, by which Carma Lakewood LLC assigned all of its rights and delegated all of its duties under the Loan Agreement to Solterra LLC (Developer or Solterra LLC). The Loan Agreement provides for the advancement by the Developer of certain moneys for capital improvements and operating and maintenance costs for an amount not to exceed \$91,000,000. The Loan Agreement provides that the Developer may construct public improvements and transfer them to District No. 1 (or to a third party at District No. 1's discretion). The Loan Agreement expressly limits District No. 1's obligation to repay the Developer for cash advances, or the value of public improvements constructed, to bond proceeds. The Districts are responsible for determining when bonds should be issued, based upon numerous economic factors. District No. 1's board of directors may, in its sole discretion, use other legally available funds to repay Developer advances. The Developer's cash advances bear interest at a rate of 6% per annum from the date of the advance. With respect to

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

public improvements constructed by the Developer, interest at the rate of 6% per annum will begin accruing when all of the following criteria have been met: a) District No. 1 has provided notice of acceptance to the Developer; b) the notice also states that District No. 1 does not have funds at such time to pay the purchase price as defined in the Loan Agreement; and, c) the Developer has provided a bill of sale and otherwise satisfied District No. 1's conditions for District No. 1 to acquire the public improvements.

The repayment obligations of District No. 1 constitute a multiple fiscal year financial obligation; however, the Districts' eligible electors previously authorized this multiple fiscal year financial obligation, so it is not subject to annual appropriation. That said, as discussed above, the repayment obligation is restricted to bond proceeds. The Loan Agreement states that it is between District No. 1 and the Developer. However, given the provisions of the Master IGA, the District and District No. 3 are impacted from certain covenants contained therein.

Note 5:

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.

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

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.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2021

Note 6:

Risk Management

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

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

Note 7:

Developer Dispute

As discussed in Note 4 above, District No. 1 has entered into a Loan Agreement with the Developer.

To date, the Districts have issued \$38,130,000 in general obligation debt, the proceeds of which were paid to the Developer. The Districts are authorized to issue up to an additional \$31,870,000 in general obligation debt. On December 16, 2021, the Developer's attorney sent the Districts a letter demanding that the Districts issue the additional \$31,870,000 in general obligation debt. The Districts are in the process of determining how much general obligation debt, if any, is still owed to the Developer. The Districts believe that, if they determine that less than \$31,870,000 in general obligation debt is owed the Developer, there is a reasonable likelihood that the Developer will commence a civil action to compel the Districts to issue the entire \$31,870,000 in general obligation debt. The Districts will vigorously defend against any such civil action. At this time, the Districts lack sufficient information to assess the likelihood of their prevailing in a civil action commenced by the Developer.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2021

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 796,157	\$ 797,571	\$ 797,571	\$ -
Specific ownership taxes	47,769	60,914	60,914	-
Interest	500	-	-	-
Total Revenues	<u>844,426</u>	<u>858,485</u>	<u>858,485</u>	<u>-</u>
Expenditures				
County treasurer fees	11,942	11,971	11,971	-
Transfer to District No. 3	800,000	895,574	895,574	-
Total Expenditures	<u>811,942</u>	<u>907,545</u>	<u>907,545</u>	<u>-</u>
Net Change in Fund Balance	32,484	(49,060)	(49,060)	-
Beginning Fund Balance	<u>8,154</u>	<u>49,060</u>	<u>49,060</u>	<u>-</u>
Ending Fund Balance	<u>\$ 40,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2021

District No. 2

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2008	\$ 2,440,570	30.000	0.000	\$ 73,217	\$ 73,296	100.11%
2009	\$ 3,895,030	0.000	30.000	\$ 116,851	\$ 121,571	104.04%
2010	\$ 6,656,870	0.000	30.000	\$ 199,706	\$ 195,884	98.09%
2011	\$ 7,395,640	0.000	30.000	\$ 221,869	\$ 204,065	91.98%
2012	\$ 10,435,617	0.000	30.000	\$ 313,069	\$ 312,188	99.72%
2013	\$ 11,679,755	0.000	30.000	\$ 350,393	\$ 350,391	100.00%
2014	\$ 13,648,409	0.000	30.000	\$ 409,452	\$ 409,450	100.00%
2015	\$ 15,615,700	5.000	35.000	\$ 624,628	\$ 624,626	100.00%
2016	\$ 20,546,882	0.000	35.000	\$ 821,875	\$ 821,872	100.00%
2017	\$ 21,055,483	5.000	35.000	\$ 842,219	\$ 841,275	99.89%
2018	\$ 21,787,559	5.458	38.210	\$ 951,419	\$ 949,638	99.81%
2019	\$ 21,813,016	5.458	32.210	\$ 821,653	\$ 819,361	99.72%
2020	\$ 23,857,072	5.458	38.210	\$ 1,041,791	\$ 1,042,405	100.06%
2021	\$ 24,125,979	6.000	33.000	\$ 940,913	\$ 942,584	100.18%
Estimated for Year Ending December 31, 2022	\$ 26,717,441	5.500	30.000	\$ 948,469		

District No. 3

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Tax		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2008	\$ 5,344,050	30.000	0.000	\$ 160,322	\$ 160,661	100.21%
2009	\$ 6,894,350	0.000	30.000	\$ 206,831	\$ 206,831	100.00%
2010	\$ 8,141,260	0.000	30.000	\$ 244,238	\$ 244,238	100.00%
2011	\$ 8,482,530	0.000	30.000	\$ 254,476	\$ 227,276	89.31%
2012	\$ 10,780,165	0.000	30.000	\$ 323,405	\$ 312,505	96.63%
2013	\$ 11,909,224	0.000	30.000	\$ 357,277	\$ 357,089	99.95%
2014	\$ 15,585,624	0.000	30.000	\$ 467,569	\$ 467,097	99.90%
2015	\$ 15,998,305	5.000	35.000	\$ 639,932	\$ 639,809	99.98%
2016	\$ 26,917,310	0.000	40.000	\$ 1,076,692	\$ 1,074,430	99.79%
2017	\$ 28,558,160	5.000	35.000	\$ 1,142,326	\$ 1,140,153	99.81%
2018	\$ 34,948,305	5.458	38.210	\$ 1,526,123	\$ 1,520,648	99.64%
2019	\$ 36,179,503	5.458	32.210	\$ 1,362,810	\$ 1,359,568	99.76%
2020	\$ 38,805,537	5.458	38.210	\$ 1,694,560	\$ 1,693,370	99.93%
2021	\$ 41,129,306	6.000	33.000	\$ 1,604,042	\$ 1,600,296	99.77%
Estimated for Year Ending December 31, 2022	\$ 45,567,705	5.500	30.000	\$ 1,617,653		

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.

**CONTINUING DISCLOSURE
ANNUAL FINANCIAL INFORMATION –
UNAUDITED**

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
ASSESSED AND ACTUAL VALUATION OF CLASSES OF PROPERTY IN DISTRICT
December 31, 2021
UNAUDITED

District No. 2

Class	2021 Assessed Valuation	Percent of Assessed Valuation	2021 Actual Valuation	Percent of Actual Valuation
Residential	\$ 25,908,755	96.97%	\$ 362,360,188	99.24%
Vacant	562,716	2.11%	1,940,400	0.53%
Commercial	1,243	0.00%	4,286	0.00%
State Assessed	244,631	0.92%	843,555	0.23%
Natural Resources	96	0.00%	330	0.00%
Total	\$ 26,717,441	100.00%	\$ 365,148,759	100.00%

District No. 3

Class	2021 Assessed Valuation	Percent of Assessed Valuation	2021 Actual Valuation	Percent of Actual Valuation
Residential	\$ 41,745,126	91.60%	\$ 583,847,517	97.79%
Vacant	3,300,811	7.24%	11,382,170	1.91%
Commercial	42,855	0.09%	148,465	0.02%
State Assessed	478,913	1.05%	1,651,424	0.28%
Total	\$ 45,567,705	99.98%	\$ 597,029,576	100.00%

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
MILL LEVY RECAP
December 31, 2020 and 2021
UNAUDITED

Taxing Authority	2020 Levy	2021 Levy
Jefferson County	24.578	26.241
Jefferson County School District No. R-1	47.038	45.808
Lakewood (City of)	4.711	4.711
Mount Carbon Metropolitan District (exclusion areas)	22.118	21.664
Urban Drainage & Flood Control District	0.900	0.900
Urban Drainage & Flood Control South Platte	0.100	0.100
West Metro Fire Protection District - General	12.499	12.530
West Metro Fire Protection District - Sub	0.728	0.666
Total Overlapping Mill Levy	112.672	112.620
The Financing Districts	39.000	35.500
Total Mill Levy	151.672	148.120

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
SELECTED DEBT RATIOS
December 31, 2021
UNAUDITED

	<u>District No. 1</u>	<u>District No. 2</u>	<u>District No. 3</u>	<u>Total</u>
General Obligation Debt Outstanding	\$ -	\$ -	\$32,615,000	\$ 32,615,000
District Assessed Value	*	\$26,717,441	\$45,567,705	\$ 72,285,146
Ratio of Debt to Assessed Value				45.12%

* The property in District No. 1 is included in either the District or District No. 3. Therefore, the assessed value for District No. 1 of \$3,101,299 is not included in the above table.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2
ESTIMATED OVERLAPPING GENERAL OVERLAPPING DEBT
December 31, 2021
UNAUDITED

<u>Overlapping Public Entity</u>	<u>Outstanding General Obligation Debt</u>	<u>Estimated Net Debt Chargeable to Properties in the District</u>	
		<u>Percent</u>	<u>Amount</u>
District No. 2			
Jefferson County School District No. R-1	\$ 779,805,000	0.31%	\$ 2,417,396
Mount Carbon Metropolitan District	14,700,000	46.69%	6,863,430
West Metro Fire Protection District	16,690,000	0.80%	133,520
Total District No. 2			<u>\$ 9,414,346</u>
District No. 3			
Jefferson County School District No. R-1	\$ 779,805,000	0.41%	\$ 3,197,201
Mount Carbon Metropolitan District	14,700,000	63.33%	9,309,510
West Metro Fire Protection District	16,690,000	1.08%	180,252
Total District No. 2			<u>\$ 12,686,963</u>