

**HIDDEN VALLEY FARM
METROPOLITAN DISTRICT NO. 2
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2018**

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Board of Directors
Hidden Valley Farm Metropolitan District No. 2
Weld County, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hidden Valley Farm Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 respective financial position of the governmental activities and each major fund of Hidden Valley Farm Metropolitan District No. 2 as of December 31, 2018, 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.

Other Matters

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information and other information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information and other information is the responsibility of management and was derived from and relates 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 to 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.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 30, 2019

BASIC FINANCIAL STATEMENTS

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Accounts Receivable - County Treasurer	\$ 1,808
Property Taxes Receivable	380,153
Due from Hidden Valley Farm Metropolitan District No. 1	<u>625,095</u>
Total Assets	<u>1,007,056</u>
LIABILITIES	
Due to Hidden Valley Farm Metropolitan District No. 1	301
Accrued Interest Payable	31,725
Noncurrent Liabilities:	
Due in More Than One Year	<u>6,920,000</u>
Total Liabilities	<u>6,952,026</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>380,153</u>
Total Deferred Inflows of Resources	<u>380,153</u>
NET POSITION	
Restricted For:	
Debt Service	594,877
Unrestricted	<u>(6,920,000)</u>
Total Net Position	<u><u>\$ (6,325,123)</u></u>

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General Government	\$ 1,778,328	\$ -	\$ -	\$ 1,077,298	\$ (701,030)
Contribution of Capital Assets to HVF MD No. 1	5,771,138	-	-	-	(5,771,138)
Interest and related Costs on Long-Term Debt	184,771	-	-	-	(184,771)
Total Government Activities	\$ 7,734,237	\$ -	\$ -	\$ 1,077,298	(6,656,939)
GENERAL REVENUES					
					307,935
					23,868
					13
					331,816
CHANGE IN NET POSITION					(6,325,123)
					-
					\$ (6,325,123)

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Accounts Receivable - County Treasurer	\$ 301	\$ 1,507	\$ -	\$ 1,808
Property Taxes Receivable	63,360	316,793	-	380,153
Due from Hidden Valley Farm Metropolitan District No. 1	-	625,095	-	625,095
Total Assets	\$ 63,661	\$ 943,395	\$ -	\$ 1,007,056
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to Hidden Valley Farm Metropolitan District No. 1	\$ 301	\$ -	\$ -	\$ 301
Total Liabilities	301	-	-	301
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	63,360	316,793	-	380,153
Total Deferred Inflows of Resources	63,360	316,793	-	380,153
FUND BALANCES				
Restricted For:				
Debt Service	-	626,602	-	626,602
Total Fund Balances	-	626,602	-	626,602
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 63,661	\$ 943,395	\$ -	
Amounts reported for governmental activities in the statement of net position are different because:				
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds Payable				(6,920,000)
Accrued Interest Payable - Bonds				(31,725)
Net Position of Governmental Activities				\$ (6,325,123)

See accompanying Notes to Basic Financial Statements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 51,322	\$ 256,613	\$ -	\$ 307,935
Specific Ownership Taxes	3,960	19,908	-	23,868
Net Investment Income	2	11	-	13
District Fees from Lot Sales	-	-	21,000	21,000
Intergovernmental Revenues	-	351,426	704,872	1,056,298
Total Revenues	<u>55,284</u>	<u>627,958</u>	<u>725,872</u>	<u>1,409,114</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	770	3,849	-	4,619
Intergovernmental expense	54,515	-	-	54,515
Capital Projects:				
Bond Issue Costs	-	-	53,157	53,157
Organization Costs	-	-	96,040	96,040
Capital Outlay	-	-	5,771,138	5,771,138
Intergovernmental Expense	-	-	1,723,044	1,723,044
Total Expenditures	<u>55,285</u>	<u>3,849</u>	<u>7,643,379</u>	<u>7,702,513</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1)	624,109	(6,917,507)	(6,293,399)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	6,920,000	6,920,000
Developer Advance	-	-	5,867,178	5,867,178
Repayment of Developer Advances	-	-	(5,867,178)	(5,867,178)
Transfer (to)from other Funds	-	2,493	(2,493)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,493</u>	<u>6,917,507</u>	<u>6,920,000</u>
NET CHANGE IN FUND BALANCES	(1)	626,602	-	626,601
Fund Balances - Beginning of Year	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 626,602</u>	<u>\$ -</u>	<u>\$ 626,602</u>

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 626,601

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay	5,771,138
Organizational Costs	96,040
Contribution of Capital Assets and Organizational Costs to HVF MD No. 1	(5,867,178)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Issuance	(6,920,000)
Developer Advance	(5,867,178)
Repayment of Developer Advances	5,867,178

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

Accrued Interest on Bonds - Change in Liability	<u>(31,724)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (6,325,123)</u></u>
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**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 51,322	\$ 51,322	\$ -
Specific Ownership Taxes	4,106	3,960	(146)
Net Investment Income	-	2	2
Total Revenues	<u>55,428</u>	<u>55,284</u>	<u>(144)</u>
EXPENDITURES			
County Treasurer's Fees	770	770	-
Intergovernmental Expense	<u>54,658</u>	<u>54,515</u>	<u>143</u>
Total Expenditures	<u>55,428</u>	<u>55,285</u>	<u>143</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	(1)	(1)
Fund Balances - Beginning of Year	<u>-</u>	<u>1</u>	<u>1</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 DEFINITION OF REPORTING ENTITY

Hidden Valley Farm Metropolitan District No 2 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was by order and decree of Weld County in April 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District, along with Hidden Valley Metropolitan District Nos. 3 and 4, operate as the Financing Districts along with District No. 1 serving as the Coordinating District. The Districts' service area is located entirely within Weld County (the County), Colorado.

The Districts were established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protections, storm drainage, covenant enforcement and design review services, and parks and recreation facilities.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental 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 District has no employees and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

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

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

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column 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. Such assets are recorded at historical cost 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 asset or materially extend the life of the asset are not capitalized.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

As of December 31, 2018 all capital assets had been transferred to Hidden Valley Farm Metropolitan District No. 1.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports 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 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. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance - December 31, 2017	Increases	Dedication to District No. 1	Balance - December 31, 2018
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Streets	\$ -	\$ 2,554,318	\$ 2,554,318	\$ -
Water	-	922,727	922,727	-
Sanitation and Sewer	-	1,716,813	1,716,813	-
Traffic and Safety	-	48,628	48,628	-
Parks and Recreation	-	528,652	528,652	-
Total Capital Assets, Not Being Depreciated	-	5,771,138	5,771,138	-
 Total Capital Assets	 \$ -	 \$ 5,771,138	 \$ 5,771,138	 \$ -

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 CASH AND INVESTMENTS

Deposits with Financial Institutions

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

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

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2018, the District had no investments.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Due Within One Year
Bonds Payable - Series 2018A	\$ -	\$ 5,770,000	\$ -	\$ 5,770,000	\$ -
Bonds Payable - Series 2018B	-	1,150,000	-	1,150,000	-
Developer Advances	-	5,867,178	5,867,178	-	-
	<u>\$ -</u>	<u>\$ 12,787,178</u>	<u>\$ 5,867,178</u>	<u>\$ 6,920,000</u>	<u>\$ -</u>

\$5,770,000 Limited Tax General Obligation Bonds, Series 2018A, and \$1,150,000 Subordinate Limited Tax General Obligations Bonds, Series 2018B

In 2018, the District issued its Series 2018A and Series 2018B (the Series 2018 Bonds) in the total amount of \$6,920,000. The proceeds of the Series 2018 Bonds were used to reimburse Developer advances under the Funding and Reimbursement Agreement. The Series 2018 Bonds are limited mill levy tax obligations of the District secured and payable solely from pledged revenue, consisting primarily from ad valorem property taxes imposed by the District.

The Series 2018A Bonds are term bonds maturing as follows: \$5,770,000 due December 1, 2050, at an interest rate of 6.00%. The Series 2018B Bonds of \$1,150,000 are term bonds due December 15, 2050, at an interest rate of 6.00%. The Series 2018 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on any date, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption, without redemption premium. The Series 2018 Bonds also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2021, and on each December 1 thereafter prior to the maturity date of the Series 2018A Senior Bonds, upon payment of the principal amount so redeemed plus accrued interest to the date of redemption.

The District issued \$6,920,000 in Limited Tax General Obligation Bonds, Series 2018A and Series 2018B, dated December 31, 2018, for infrastructure related to streets, water, sewer, storm drainage and parks and recreation.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$5,770,000 Limited Tax General Obligation Bonds, Series 2018A, and \$1,150,000 Subordinate Limited Tax General Obligations Bonds, Series 2018B (CONTINUED)

The Series 2018A Bonds principal and interest will matures as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 346,200	\$ 346,200
2020	-	346,200	346,200
2021	10,000	346,200	356,200
2022	20,000	345,600	365,600
2023	25,000	344,400	369,400
2024-2028	250,000	1,689,600	1,939,600
2029-2033	490,000	1,587,300	2,077,300
2034-2038	820,000	1,403,700	2,223,700
2039-2043	1,270,000	1,107,000	2,377,000
2044-2048	1,905,000	654,600	2,559,600
2049-2050	980,000	89,400	1,069,400
Total	<u>\$ 5,770,000</u>	<u>\$ 8,260,200</u>	<u>\$ 14,030,200</u>

The Series 2018B Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 69,000	\$ 69,000
2020	-	69,000	69,000
2021	-	69,000	69,000
2022	-	69,000	69,000
2023	-	69,000	69,000
2024-2028	50,000	340,200	390,200
2029-2033	100,000	319,200	419,200
2034-2038	170,000	281,100	451,100
2039-2043	260,000	219,900	479,900
2044-2048	375,000	129,000	504,000
2049-2050	195,000	17,700	212,700
Total	<u>\$ 1,150,000</u>	<u>\$ 1,652,100</u>	<u>\$ 2,802,100</u>

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 5, 2013 a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$600,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2018, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2013 Election	Authorization Used Series 2018 Bonds	Authorized But Unissued
In-District Special Assessment Debt	\$ 40,000,000	\$ -	\$ 40,000,000
Street Improvements	40,000,000	2,747,080	37,252,920
Parks and Recreation	40,000,000	1,388,711	38,611,289
Sanitation/Storm Sewer	40,000,000	922,727	39,077,273
Water	40,000,000	1,716,813	38,283,187
Transportation	40,000,000	-	40,000,000
Mosquito Control	40,000,000	-	40,000,000
Safety Protection	40,000,000	48,628	39,951,372
Fire Protection	40,000,000	-	40,000,000
Television Relay and Translation	40,000,000	-	40,000,000
Security	40,000,000	-	40,000,000
Operations and Maintenance Debt	40,000,000	96,041	39,903,959
Refunding Debt	40,000,000	-	40,000,000
District Intergovernmental Agreements as Debt	40,000,000	-	40,000,000
District Private Agreements as Debt	40,000,000	-	40,000,000
Mortgage	40,000,000	-	40,000,000
Total	<u>\$ 640,000,000</u>	<u>\$ 6,920,000</u>	<u>\$ 633,080,000</u>

As set forth in the District's 2013 Operating Plan, the City has limited the amount of debt to be issued by the District to a total of \$40,000,000 without future approval by the County. The District may levy up to 50.000 mills for debt service and up to 10.000 mills for general operations and administrative expenses due to the on-going operations and maintenance to be undertaken by the District.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2018, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service (see Note 5)	\$ 594,877
Total Restricted Net Position	\$ 594,877

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of debt obligations.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is The Landhuis Company. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 AGREEMENTS

Master Intergovernmental Agreement (IGA)

On November 30, 2017, the District entered into a Master Intergovernmental Agreement (IGA) with Hidden Valley Metropolitan District Nos. 1, 3, and 4. The IGA provides that the District No. 1 will serve as the service district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. Districts Nos. 2-4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements.

Capital Pledge Agreement

On December 28, 2018, the District entered into a Capital Pledge Agreement (Agreement) with Hidden Valley Metropolitan District Nos. 1, 3, and 4. The Agreement provides that District No. 1 will serve as the service district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. The District along with Districts Nos. 3 and 4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

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

The District pays annual premiums to the Pool for property liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

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

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. As of December 31, 2018, the District has not provided for an emergency reserve fund equal to 3% fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 1, which provides for the required reserve amount.

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.

SUPPLEMENTARY INFORMATION

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 256,613	\$ 256,613	\$ -
Specific Ownership Taxes	20,529	19,908	(621)
Net Investment Income	-	11	11
Intergovernmental Revenues	1,263,825	351,426	(912,399)
Total Revenues	<u>1,540,967</u>	<u>627,958</u>	<u>(913,009)</u>
EXPENDITURES			
County Treasurer's Fees	3,849	3,849	-
Bond Interest	750,000	-	750,000
Bond Principal	887,118	-	887,118
Total Expenditures	<u>1,640,967</u>	<u>3,849</u>	<u>1,637,118</u>
EXCESS OF REVENUES OVER EXPENDITURES	(100,000)	624,109	724,109
OTHER FINANCING SOURCES (USES)			
Transfer from other Fund	100,000	2,493	97,507
Total Other Financing Sources (uses)	<u>100,000</u>	<u>2,493</u>	<u>97,507</u>
NET CHANGE IN FUND BALANCES	-	626,602	(2,452,620)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 626,602</u>	<u>\$ (2,452,620)</u>

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
District Fees from Lot Sales	\$ 150,000	\$ 21,000	\$ (129,000)
Intergovernmental Revenues	-	704,872	704,872
Total Revenues	<u>150,000</u>	<u>725,872</u>	<u>575,872</u>
EXPENDITURES			
Capital Projects:			
Bond Issue Costs	50,000	53,157	(3,157)
Organizational Costs	-	96,040	(96,040)
Capital Outlay	-	5,771,138	(5,771,138)
Intergovernmental Expense	-	1,723,044	(1,723,044)
Total Expenditures	<u>50,000</u>	<u>7,643,379</u>	<u>(7,593,379)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>100,000</u>	<u>(6,917,507)</u>	<u>(7,017,507)</u>
OTHER FINANCING SOURCES (USES)			
Bond Issuance	7,680,000	6,920,000	(760,000)
Transfer to other Fund	(100,000)	(2,493)	97,507
Developer Advance	7,830,000	5,867,178	(1,962,822)
Repayment of Developer Advances	(7,680,000)	(5,867,178)	1,812,822
Total Other Financing Sources (Uses)	<u>7,730,000</u>	<u>6,917,507</u>	<u>(812,493)</u>
NET CHANGES IN FUND BALANCES	7,830,000	-	(7,830,000)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,830,000</u>	<u>\$ -</u>	<u>\$ (7,830,000)</u>

OTHER INFORMATION

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2018**

\$5,770,000 Limited Mill General Obligation Bonds
Series 2018A
Dated December 28, 2018
Interest Rate 6.00%
Principal Due December 1
Interest Payable December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 346,200	\$ 346,200
2020	-	346,200	346,200
2021	10,000	346,200	356,200
2022	20,000	345,600	365,600
2023	25,000	344,400	369,400
2024	35,000	342,900	377,900
2025	40,000	340,800	380,800
2026	50,000	338,400	388,400
2027	55,000	335,400	390,400
2028	70,000	332,100	402,100
2029	75,000	327,900	402,900
2030	90,000	323,400	413,400
2031	95,000	318,000	413,000
2032	110,000	312,300	422,300
2033	120,000	305,700	425,700
2034	135,000	298,500	433,500
2035	145,000	290,400	435,400
2036	165,000	281,700	446,700
2037	175,000	271,800	446,800
2038	200,000	261,300	461,300
2039	210,000	249,300	459,300
2040	235,000	236,700	471,700
2041	250,000	222,600	472,600
2042	280,000	207,600	487,600
2043	295,000	190,800	485,800
2044	325,000	173,100	498,100
2045	350,000	153,600	503,600
2046	380,000	132,600	512,600
2047	405,000	109,800	514,800
2048	445,000	85,500	530,500
2049	470,000	58,800	528,800
2050	510,000	30,600	540,600
Total	<u>\$ 5,770,000</u>	<u>\$ 8,260,200</u>	<u>\$ 14,030,200</u>

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

\$1,150,000 Limited Mill General Obligation
Bonds
Series 2018B
Dated December 28, 2018
Interest Rate 6.00%
Principal Due December 1

Year Ending December 31,	Interest Payable December 1			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 69,000	\$ 69,000	\$ -	\$ 415,200	\$ 415,200
2020	-	69,000	69,000	-	415,200	415,200
2021	-	69,000	69,000	10,000	415,200	425,200
2022	-	69,000	69,000	20,000	414,600	434,600
2023	-	69,000	69,000	25,000	413,400	438,400
2024	5,000	69,000	74,000	40,000	411,900	451,900
2025	10,000	68,700	78,700	50,000	409,500	459,500
2026	10,000	68,100	78,100	60,000	406,500	466,500
2027	10,000	67,500	77,500	65,000	402,900	467,900
2028	15,000	66,900	81,900	85,000	399,000	484,000
2029	15,000	66,000	81,000	90,000	393,900	483,900
2030	20,000	65,100	85,100	110,000	388,500	498,500
2031	20,000	63,900	83,900	115,000	381,900	496,900
2032	20,000	62,700	82,700	130,000	375,000	505,000
2033	25,000	61,500	86,500	145,000	367,200	512,200
2034	30,000	60,000	90,000	165,000	358,500	523,500
2035	30,000	58,200	88,200	175,000	348,600	523,600
2036	35,000	56,400	91,400	200,000	338,100	538,100
2037	35,000	54,300	89,300	210,000	326,100	536,100
2038	40,000	52,200	92,200	240,000	313,500	553,500
2039	45,000	49,800	94,800	255,000	299,100	554,100
2040	50,000	47,100	97,100	285,000	283,800	568,800
2041	50,000	44,100	94,100	300,000	266,700	566,700
2042	55,000	41,100	96,100	335,000	248,700	583,700
2043	60,000	37,800	97,800	355,000	228,600	583,600
2044	65,000	34,200	99,200	390,000	207,300	597,300
2045	70,000	30,300	100,300	420,000	183,900	603,900
2046	75,000	26,100	101,100	455,000	158,700	613,700
2047	80,000	21,600	101,600	485,000	131,400	616,400
2048	85,000	16,800	101,800	530,000	102,300	632,300
2049	95,000	11,700	106,700	565,000	70,500	635,500
2050	100,000	6,000	106,000	610,000	36,600	646,600
Total	<u>\$ 1,150,000</u>	<u>\$ 1,652,100</u>	<u>\$ 2,802,100</u>	<u>\$ 6,920,000</u>	<u>\$ 9,912,300</u>	<u>\$ 16,832,300</u>

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 2
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2018**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2014	\$ -	-	\$ -	\$ -	N/A
2015	10	54.000	-	-	-
2016	581,940	60.000	34,916	34,916	100.00 %
2017	1,947,920	60.000	116,875	116,875	100.00
2018	4,763,030	64.651	307,935	307,935	100.00
Estimated for the Year Ending December 31, 2019	\$ 5,774,690	65.831	\$ 380,153		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.