

**HIGHWAY 119 METROPOLITAN
DISTRICT NO. 2
Weld County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	7
Notes to the Financial Statements	8
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	21
OTHER INFORMATION	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22



Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Highway 119 Metropolitan District No. 2
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Highway 119 Metropolitan District No. 2 as of and for the year December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Highway 119 Metropolitan District No. 2, as of December 31, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highway 119 Metropolitan District No. 2's basic financial statements. The budget to actual schedule for the debt service fund (the Supplemental Information) and the summary of assessed valuation, mill levy and property taxes collected (the Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 budget to actual schedule for the debt service fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

D'Agostino & Associates, P.C.

July 27, 2020

BASIC FINANCIAL STATEMENTS

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2019

ASSETS

Cash and investments - unrestricted	\$ 26,990
Cash and investments - restricted	61
Cash with County Treasurer	6,643
Property taxes receivable	<u>508,436</u>
Total assets	<u>542,130</u>

LIABILITIES

Due to Highway 119 Metropolitan District No. 1	<u>6,694</u>
Total liabilities	<u>6,694</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	<u>508,436</u>
Total deferred property taxes	<u>508,436</u>

NET POSITION

Restricted for emergencies	<u>27,000</u>
Total net position	<u><u>\$ 27,000</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	
General government	\$ 14,454	\$ -	\$ (14,454)
Transfer to Highway 119 Metropolitan District No. 1	1,211,950	-	(1,211,950)
	<u>\$ 1,226,404</u>	<u>\$ -</u>	<u>(1,226,404)</u>

General revenues:

Taxes:

Property taxes	955,592
Specific ownership taxes	78,182
NFURA taxes	205,181
Net investment income	3,649
Total general revenues	<u>1,242,604</u>

Change in net position	16,200
Net position - Beginning	10,800
Net position - Ending	<u>\$ 27,000</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments - unrestricted	\$ 26,990	\$ -	\$ 26,990
Cash and investments - restricted	-	61	61
Cash with County Treasurer	6,643	-	6,643
Property tax receivable	508,436		508,436
TOTAL ASSETS	<u>\$ 542,069</u>	<u>\$ 61</u>	<u>\$ 542,130</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Due to Highway 119 Metropolitan District No. 1	\$ 6,633	\$ 61	\$ 6,694
TOTAL LIABILITIES	<u>6,633</u>	<u>61</u>	<u>6,694</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	508,436	-	508,436
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>508,436</u>	<u>-</u>	<u>508,436</u>
FUND BALANCES			
Restricted for emergencies	27,000	-	27,000
TOTAL FUND BALANCES	<u>27,000</u>	<u>-</u>	<u>27,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 542,069</u>	<u>\$ 61</u>	<u>\$ 542,130</u>

There are no reconciling items from the Balance Sheet - Governmental Funds to the
Statement of Net Position

These financial statements should be read only in connection with
the accompanying notes to financial statements.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 674,441	\$ 281,151	\$ 955,592
Specific ownership tax	78,182	-	78,182
NFURA taxes	144,647	60,534	205,181
Net investment income	2,419	1,230	3,649
Total revenues	<u>899,689</u>	<u>342,915</u>	<u>1,242,604</u>
EXPENDITURES			
Current			
Bank fees	120	-	120
Treasurer's fees	10,117	4,217	14,334
Transfer to Highway 119 Metropolitan District No. 1	873,252	338,698	1,211,950
Total expenditures	<u>883,489</u>	<u>342,915</u>	<u>1,226,404</u>
NET CHANGE IN FUND BALANCES	16,200	-	16,200
FUND BALANCES - BEGINNING OF YEAR	10,800	-	10,800
FUND BALANCES - END OF YEAR	<u>\$ 27,000</u>	<u>\$ -</u>	<u>\$ 27,000</u>

There are no reconciling items from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities.

These financial statements should be read only in connection with the accompanying notes to financial statements.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2019

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 674,792	\$ 674,441	\$ 674,441	\$ -
Specific ownership taxes	146,001	76,071	78,182	2,111
NFURA taxes	48,300	144,552	144,647	95
Net investment income	5,000	3,627	2,419	(1,208)
Total Revenues	<u>874,093</u>	<u>898,691</u>	<u>899,689</u>	<u>998</u>
EXPENDITURES				
Bank fees	200	120	120	-
Treasurer's fees	10,122	10,117	10,117	-
Transfer to Highway 119 Metropolitan District No. 1	843,468	872,254	873,252	(998)
Contingency and emergency reserves	5,000	10,800	-	10,800
Total Expenditures	<u>858,790</u>	<u>893,291</u>	<u>883,489</u>	<u>9,802</u>
NET CHANGE IN FUND BALANCES	15,303	5,400	16,200	10,800
FUND BALANCES - BEGINNING OF YEAR	<u>10,920</u>	<u>10,800</u>	<u>10,800</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 26,223</u>	<u>\$ 16,200</u>	<u>\$ 27,000</u>	<u>\$ 10,800</u>

These financial statements should be read only in connection with the
accompanying notes to financial statements.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – DEFINITION OF REPORTING ENTITY

Highway 119 Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act and was created on November 16, 2009. The District's service area is located in Weld County, Colorado. The District was organized along with Highway 119 Metropolitan District No. 1 (District No. 1) and Highway 119 Metropolitan District Nos. 3 -6 (District Nos. 3-6) with Highway 119 Metropolitan District Nos. 7-10 (District Nos. 7-10) being organized on December 12, 2017, to finance, construct, acquire, and, if required or authorized by an intergovernmental agreement with the Town of Firestone (Town) operate and maintain certain streets, traffic safety controls, street lighting, water, sanitary sewer, landscaping, storm sewers and flood and surface drainage and park and recreation improvements for certain planned developments as described in the Service Plan. The District, District No. 1 and District Nos. 3-6, and District Nos. 7-10 are collectively known as the Districts. District No. 1 is the operating district which manages and oversees the activities of the Districts. The District along with District Nos. 3-6 and 7-10 are the taxing districts which are expected to include all of the future area for the planned developments.

On September 17, 2017, the Town approved the Amended and Restated Consolidated Service Plan for the District, District No. 2 and District Nos. 3-6 and the Consolidated Service Plan for District Nos. 7-10 (Service Plan). The Service Plan limits each District to a maximum mill levy of 50 mills for operating expenses until debt is issued by the District and it limits the District to a maximum mill levy of 60 mills for operations and debt, combined, which mill levy caps may be adjusted for constitutional and legislative changes in the rate of assessment ratio for residential property. Both mill levy caps can be eliminated once End Users cast the majority of votes at a public meeting to do so.

On January 25, 2018, the Districts entered into an Amended and Restated District Administrative Services Agreement which establishes the terms and conditions upon which the general administration and coordination of the Districts' activities will be managed and funded with the District serving as the operating district and District No. 2, District Nos. 3-6 and District Nos. 7-10 serve as the taxing districts.

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

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.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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 related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 government 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

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 remitted to District No. 1 under the terms of the Capital Pledge Agreement (Note 7).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to adopt the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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.

Supplemental appropriations were approved for the General Fund for 2019.

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 funds' average equity balance in total cash.

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

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

calendar year. The taxes are payable by April 1 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 deferred property tax revenues are recorded as revenue in the year they are available or collected.

Fund Equity

Fund balance for governmental funds are reported in the categories listed below to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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 amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position/ Balance Sheet – Governmental Funds:

Cash and investments – unrestricted	\$ 26,990
Cash and investments – restricted	<u>61</u>
Total cash and investments	<u>\$ 27,051</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 990
Investments	<u>26,061</u>
Total cash and investments	<u>\$ 27,051</u>

Custodial Credit Risk

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 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.

At December 31, 2019, the District's cash deposits had a bank balance and a carrying balance of \$990.

Credit Risk and Interest Rate Risk

The District has not adopted a formal investment policy however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements

**HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

- . Certain corporate bonds
 - . Written repurchase agreements collateralized by certain authorized securities
 - . Certain money market funds
 - . Guaranteed investment contracts
 - . Local government investment pools
- Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of Directors.

At December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 26,061</u>

COLOTRUST

At December 31, 2019, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities 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 agreement collateralized by certain obligations of the U.S. government agencies. COLOTRUST is rated AAAM by Standard and Poor's.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: 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.

However, the investments held by the District are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a-7-like external investment pools and money market investments such as COLOTRUST.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expense and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

determining the value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Restricted Cash and Investments

Cash and investments in the amount of \$61 are reflected as restricted as the funds are required to be remitted to District No. 1 in accordance with the Capital Pledge Agreement (Note 7).

NOTE 4 – DEBT AUTHORIZATION

The District has the following authorized but unissued debt at December 31, 2019.

	Authorized November 3, 2009 Election	Authorized November 8, 2016 Election	Remaining at December 31, 2019
Street Improvements	\$ 86,000,000	\$ 115,439,500	\$ 201,439,500
Parks and Recreation	86,000,000	115,439,500	201,439,500
Water	86,000,000	115,439,500	201,439,500
Sanitation/Storm Sewer	86,000,000	115,439,500	201,439,500
Transportation	-	115,439,500	115,439,500
Mosquito control	-	115,439,500	115,439,500
Traffic safety	-	115,439,500	115,439,500
Fire protection	-	115,439,500	115,439,500
TV relay and translation	-	115,439,500	115,439,500
Security services	-	115,439,500	115,439,500
Special assessment debt	-	115,439,500	115,439,500
Operations and Maintenance Debt	86,000,000	115,439,500	201,439,500
Refunding	86,000,000	115,439,500	201,439,500
Private Agreements as Debt	86,000,000	115,439,500	201,439,500
Intergovernmental agreements	-	115,439,500	115,439,500
Mortgage	86,000,000	-	86,000,000
	<u>\$ 688,000,000</u>	<u>\$ 1,731,592,500</u>	<u>\$ 2,419,592,500</u>
District limited to:	<u>\$ 86,000,000</u>	<u>\$ 115,439,500</u>	<u>\$ 201,439,500</u>

The Service Plan limits the Districts' aggregate debt to \$115,439,500.

NOTE 5 - FUND EQUITY

At December 31, 2019, the District reported the following classifications of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$27,000 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (Note 9).

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 - NET POSITION

The District has net position consisting of one component –restricted.

Restricted net position includes items 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 of \$27,000 for Emergency Reserves (Note 9) as of December 31, 2019.

NOTE 7 – AGREEMENTS

Intergovernmental Agreement with the Town of Firestone

On March 24, 2010, the Districts entered into an Intergovernmental Agreement (Town IGA) with the Town of Firestone (the Town). The Original Town IGA was amended and replaced in its entirety with the Intergovernmental Agreement with the Town and the Highway 119 Metropolitan District Nos. 1-10 dated October 10, 2017 (Town IGA). The Town IGA acknowledges that the property within the Districts' boundaries are subject to all ordinances, rules and regulations of the Town including without limitation, ordinances, rules and regulations relating to zoning, subdividing, building and land use, and to all related Town land use policies, master plans, related plans and intergovernmental agreements.

The Town's approval of the Districts' Amended and Restated Consolidated Service Plan dated September 13, 2017 is expressly conditioned upon the requirement that District No. 1 construct Regional Improvements (as defined in the service plan) benefiting the Town's and the Districts' residents and taxpayers and located within or outside of the developments, the cost of which equals or exceeds 7.8% of the Districts' aggregate net bond proceeds of all general obligation and revenue bonds issued by the Districts, with certain exclusions as defined in the Town IGA and service plan. The Districts are to contribute a maximum of \$7,500,000.

Capital Pledge Agreement for Water Tank Improvements

On December 10, 2015, the District entered into a Capital Pledge Agreement for Water Tank Improvements (Capital Pledge Agreement) with District No. 1. The Capital Pledge Agreement requires the District to levy an ad valorem property tax mill levy in an amount not to exceed 46.000 mills (Required Mill Levy) to pay for the design, acquisition, installation, repair, replacement and/or construction of a water tank and associated appurtenances. The District's total obligation under the Capital Pledge Agreement is not to exceed \$2,500,000. The District is to remit to District No. 1 as soon as reasonably practicable upon receipt, but in no event later than 10 business days after receipt, all revenue comprising property tax revenue. During 2019, District No. 2 remitted \$338,698 to the District for a cumulative amount transferred of \$2,492,330.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Amended and Restated Cooperation Agreement - Firestone Urban Renewal Authority

Highway 119 Metropolitan District Nos. 1-10 entered into the Amended and Restated Cooperation Agreement Among the Firestone Urban Renewal Authority (FURA) on February 7, 2018 which replaces the Cooperation Agreement dated July 1, 2013 between FURA and District No. 1 and the District, in its entirety.

On June 12, 2013, the Town of Firestone approved an Urban Renewal Plan for the Northern Firestone Urban Renewal Area (NFURA), which includes parcels within the Districts, and allows the Town to utilize tax increment financing (TIF Financing) as contemplated by C.R.S. Section 31-25-107(9)(a), for the purposes authorized by the Urban Renewal Law. TIF Financing provides that taxes, if any, levied upon taxable property in the Northern Firestone Urban Renewal Area each year shall be divided for a period not to exceed 25 years from the effective date and that a portion of said property tax revenues shall be allocated to and paid into a special fund of FURA to pay the principal of, interest on, and any premiums due in connection with the bonds of, loans or advances to, or indebtedness incurred by FURA.

The Amended and Restated Cooperation Agreement provides for FURA to pay to the Districts all of the property tax revenues received by FURA (NFURA taxes) as a result of the property tax mill levy imposed by the Districts upon taxable property within the Urban Renewal Area for a period of 25 years. It is the intention of the Districts and FURA that the Districts use the NFURA taxes for the costs and expenses of financing infrastructure and providing services as outlined in the Districts' Consolidated Service Plan.

During 2019, the District received \$205,181 in taxes under the Amended and Restated Cooperation Agreement.

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., C.R.S. the District may be 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) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery 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 liability, property, public officials' liability and workers compensation. In the event that 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.

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 - 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 that 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 3, 2009, the majority of the District's voters approved the following ballot questions:

Ballot Issue A: Shall Highway 119 Metropolitan District No. 2 taxes be increased \$1,000,000 annually, commencing in 2010, or by such greater or lesser annual amount as may be derived from an ad valorem mill levy not in excess of 50.000 mills annually (provided that such maximum mill levy shall be adjusted up or down to account for changes in law or the method by which assessed valuation is calculated occurring after 2010, so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes), the revenues therefrom to be used for the purpose of paying the District's operations, maintenance, and other expenses; and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2010 and in each year thereafter, without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, or Section 29-1-301, Colorado Revised Statutes, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

Ballot Issue B – Shall Highway 119 Metropolitan District No. 2 be authorized to collect, retain, and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee rate, toll, penalty, income, or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenue be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, and without limiting in any year the amount of other revenues that may be collected and spent by the District?

Ballot Issue C - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually or such lesser amount as necessary for the payment of such amounts due pursuant to one or more agreements or contracts with private parties, by

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, for the payment of such amounts due, and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2010 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue D - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually or such lesser amount as necessary for the payment of such amounts due pursuant to one or more intergovernmental agreements or other contracts, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, for the payment of such amounts due, and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2010 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

On November 6, 2016, the majority of the District's voters approved the following ballot questions:

Ballot Issue 5A - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such lesser annual amount as necessary to pay the District's administration, covenant enforcement, design review, operations, maintenance and other similar expenses by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2017 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue 5B - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

lesser annual amount as necessary to pay for capital costs of public improvements, through property taxes levied in any year, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2017 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue 5C - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such lesser annual amount as necessary to pay the District's administration, covenant enforcement, design review, operations, and maintenance expenses, and for the purpose of paying the costs of any public improvements, facilities, systems, programs, or projects which the District may lawfully provide, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition, to pay such expenses and shall the revenue from such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2017 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue 5D - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such lesser annual amount as necessary to pay for the payment of amounts due under one or more intergovernmental agreements or other contracts, or for payment of regional improvements for which the District is authorized or obligated pursuant to its service plan, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition, for the purpose of paying the District's obligations under any one or more of such intergovernmental agreements or other contracts, or to pay the cost of regional improvements, and shall the revenue from such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2017 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Ballot Issue 5E - Shall Highway 119 Metropolitan District No. 2 taxes be increased \$10,000,000 annually (such tax increase to be authorized notwithstanding any provision of Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing property tax cuts) or such lesser amount as necessary for the payment of such amounts due pursuant to one or more agreements or contracts with private parties, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition for the payment of such amounts due, and shall the proceeds and any investment income thereon be collected, retained and spent by the District in fiscal year 2017 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in taxation by Section 29-1-301, C.R.S., in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Ballot Issue 5F - Shall Highway 119 Metropolitan District No. 2 be authorized to collect, retain and spend any and all amounts annually from any revenue sources whatsoever, including but not limited to taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, gifts, grants, or any other fee, rate, toll, penalty, income, or charge authorized by law or contract to be imposed, collected or received by the District in fiscal year 2016 and in each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution, including any future amendments to Article X, Section 20 of the Colorado Constitution imposing tax cuts, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District.

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.

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

SUPPLEMENTAL INFORMATION

HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 282,375	\$ 281,151	\$ (1,224)
NFURA taxes	61,096	60,534	(562)
Net investment income	10,000	1,230	(8,770)
Total Revenues	<u>353,471</u>	<u>342,915</u>	<u>(10,556)</u>
EXPENDITURES			
Transfer to Highway 119 Metropolitan District No. 1	349,235	338,698	10,537
County treasurer's fees	4,236	4,217	19
Total Expenditures	<u>353,471</u>	<u>342,915</u>	<u>10,556</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

**HIGHWAY 119 METROPOLITAN DISTRICT NO. 2
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2019**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2013	\$ 1,981,050	10.000	\$ 19,811	\$ 14,739	74.4%
2014	\$ 4,520,927	10.000	\$ 45,209	\$ 45,535	100.7%
2015	\$ 1,808,830	10.000	\$ 18,088	\$ 18,251	100.9%
2016	\$ 20,362,820	56.000	\$ 1,140,318	\$ 1,140,318	100.0%
2017	\$ 6,746,509	56.000	\$ 377,804	\$ 379,765	100.5%
2018	\$ 14,447,681	66.333	\$ 958,358	\$ 960,088	100.2%
2019	\$ 14,429,729	66.333	\$ 957,167	\$ 955,592	99.8%
Estimated for year ending December 31, 2020	\$ 7,611,658	66.797	\$ 508,436		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.