

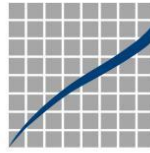
**FLYING HORSE METROPOLITAN DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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YEAR ENDED DECEMBER 31, 2020**

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Flying Horse Metropolitan District No. 2
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Flying Horse Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, the changes in its 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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information, as identified in the table of contents, 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 the other information.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 28, 2021

BASIC FINANCIAL STATEMENTS

FLYING HORSE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 47,860
Cash and Investments - Restricted	44,961
Receivable - County Treasurer	23,274
Property Taxes Receivable	2,884,690
Total Assets	3,000,785
LIABILITIES	
Accrued Interest Payable	127,213
Noncurrent Liabilities:	
Due Within One Year	380,000
Due in More Than One Year	58,991,809
Total Liabilities	59,499,022
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	2,884,690
Total Deferred Inflows of Resources	2,884,690
NET POSITION	
Unrestricted	(59,382,927)
Total Net Position	\$ (59,382,927)

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 18,406	\$ -	\$ -	\$ -	\$ (18,406)
Intergovernmental	37,740,260	-	11,307	-	(37,728,953)
Facilities fees	-	-	170,000	-	170,000
Interest and Related Costs on Long-Term Debt	4,418,555	-	-	-	(4,418,555)
Total Governmental Activities	\$ 42,177,221	\$ -	\$ 181,307	\$ -	(41,995,914)
GENERAL REVENUES					
Property Taxes					2,654,842
Specific Ownership Taxes					288,650
Interest income					12,869
Total General Revenues					2,956,361
CHANGE IN NET POSITION					(39,039,553)
Net Position - Beginning of Year					(20,343,374)
NET POSITION - END OF YEAR					\$ (59,382,927)

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 47,860	\$ -	\$ 47,860
Cash and Investments - Restricted	-	44,961	44,961
Receivable from County Treasurer	5,609	17,665	23,274
Property Taxes Receivable	695,329	2,189,361	2,884,690
Total Assets	\$ 748,798	\$ 2,251,987	\$ 3,000,785
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	695,329	2,189,361	2,884,690
Total Deferred Inflows of Resources	695,329	2,189,361	2,884,690
FUND BALANCES			
Restricted for:			
Debt Service	-	62,626	62,626
Unassigned:			
General Government	53,469	-	53,469
Total Fund Balances	53,469	62,626	116,095
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 748,798	\$ 2,251,987	
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			(59,371,809)
Accrued Interest on Bonds Payable			(127,213)
Net Position of Governmental Activities			\$ (59,382,927)

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 639,817	\$ 2,015,025	\$ 2,654,842
Specific Ownership Taxes	69,565	219,085	288,650
Interest Income	577	12,292	12,869
Intergovernmental Revenues	8,769	2,538	11,307
Infrastructure Development Fees	-	170,000	170,000
Total Revenues	718,728	2,418,940	3,137,668
EXPENDITURES			
Current:			
Accounting	5,600	-	5,600
County Treasurer's Fee	9,607	30,257	39,864
Dues and Licenses	305	-	305
Legal Services	-	238	238
Insurance and Bonds	2,015	-	2,015
Banking Fees	29	90	119
Intergovernmental Expenditures	655,000	37,085,260	37,740,260
Miscellaneous	850	-	850
Debt Service:			
Paying Agent Fees	-	2,300	2,300
Bond Insurance	-	292,603	292,603
Bond Interest - 2013A	-	1,513,758	1,513,758
Bond Interest - 2013B	-	807,217	807,217
Bond Interest - 2020A	-	487,648	487,648
Bond Interest - 2020B	-	292,768	292,768
Bond Principal - 2013A	-	6,650,000	6,650,000
Bond Principal - 2013B	-	15,725,000	15,725,000
Bond Issue Costs	-	912,478	912,478
Total Expenditures	673,406	63,799,617	64,473,023
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	45,322	(61,380,677)	(61,335,355)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	-	59,338,252	59,338,252
Total Other Financing Sources (Uses)	-	59,338,252	59,338,252
NET CHANGE IN FUND BALANCES	45,322	(2,042,425)	(1,997,103)
Fund Balances - Beginning of Year	8,147	2,105,051	2,113,198
FUND BALANCES - END OF YEAR	\$ 53,469	\$ 62,626	\$ 116,095

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ (1,997,103)

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

Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal 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 issuance costs, 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 Principal Payments	22,375,000
Bond Proceeds	(59,338,252)

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.

Bonds Premium Amortization	120,420
Accrued Interest on Bonds - Change in Liability	<u>(45,641)</u>

Changes in Net Position of Governmental Activities \$ (39,039,553)

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 640,017	\$ 639,817	\$ (200)
Specific Ownership Taxes	63,635	69,565	5,930
Interest Income	-	577	577
Intergovernmental Revenues	9,400	8,769	(631)
Total Revenues	<u>713,052</u>	<u>718,728</u>	<u>5,676</u>
EXPENDITURES			
Accounting	5,600	5,600	-
County Treasurer's Fee	9,650	9,607	43
Dues and Licenses	800	305	495
Insurance and Bonds	3,000	2,015	985
Banking Fees	3,000	29	2,971
Intergovernmental Expenditures	692,700	655,000	37,700
Miscellaneous	-	850	(850)
Total Expenditures	<u>714,750</u>	<u>673,406</u>	<u>41,344</u>
NET CHANGE IN FUND BALANCE	(1,698)	45,322	47,020
Fund Balance - Beginning of Year	<u>8,147</u>	<u>8,147</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,449</u></u>	<u><u>\$ 53,469</u></u>	<u><u>\$ 47,020</u></u>

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Flying Horse Metropolitan District No. 2 (District No. 2), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Special District Act, was formed in 2005 for the purpose of providing the funding for streets, safety protection, water, sanitary sewer, drainage and park and recreation improvements, facilities, and services within the Flying Horse subdivision located in the City of Colorado Springs.

District No. 2 was formed in conjunction with Flying Horse Metropolitan District No. 1 (District No. 1) and Flying Horse Metropolitan District No. 3 (District No. 3) to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the districts. District No. 1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 2 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 1 and District No. 3 are not component units of District No. 2.

District No. 2 follows 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.

District No. 2 is not financially accountable for any other organization nor is District No. 2 a component unit of any other primary governmental entity.

District No. 2 has no employees and all operational and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of District No. 2 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 District No.2. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of District No. 2. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of District No. 2 is reported as net position.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 expenses of a given function or segment is 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 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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District No. 2 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 District No. 2. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

District No. 2 reports the following major governmental funds:

The General Fund is District No. 2'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.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with state budget law, District No. 2'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. District No. 2'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.

District No. 2 amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

District No. 2 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.

Property Taxes

Property taxes are levied by District No. 2'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 District No. 2.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned 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. District No. 2 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.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is District No. 2'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.

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 District No. 2's practice to use the most restrictive classification first.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 47,860
Cash and Investments - Restricted	44,961
Total Cash and Investments	\$ 92,821

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

Deposits with Financial Institutions	\$ 92,808
Investments	13
Total Cash and Investments	\$ 92,821

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.

As of December 31, 2020, District No. 2's cash deposits had a bank balance and a book balance of \$92,808.

Investments

District No. 2 has not adopted a formal investment policy; however, District No. 2 follows state statutes regarding investments.

District No. 2 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, District No. 2 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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2020, District No. 2 had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	\$ 13

COLOTRUST

District No. 2 invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard & Poor's. COLOTRUST records its investments at fair value and District No. 2 records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in District No. 2's long-term obligations for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020	Due Within One Year
Bonds Payable:					
Series 2013A Bonds - Principal	\$ 6,650,000	\$ -	\$ 6,650,000	\$ -	\$ -
Series 2013B Bonds - Principal	15,725,000	-	15,725,000	-	-
Series 2020A Bonds - Principal	-	36,595,000	-	36,595,000	380,000
Series 2020A Bonds - Premium	-	7,338,252	120,420	7,217,832	-
Series 2020B Bonds - Principal	-	15,405,000	-	15,405,000	-
Series 2020B Bonds - Accrued Interest	-	153,977	-	153,977	-
Total	<u>\$ 22,375,000</u>	<u>\$ 59,492,229</u>	<u>\$ 22,495,420</u>	<u>\$ 59,371,809</u>	<u>\$ 380,000</u>

The details of District No. 2's long-term obligations are as follows:

Series 2013A Bonds and Series 2013B Bonds

In 2013, Districts No. 2 issued general obligation limited tax refunding bonds to replace the Series 2005 Bonds. The bonds were issued in two separate issuances: the Series 2013A and Series 2013B Bonds for a combined amount of \$24,225,000. The interest rate on the 2013A Bonds is 4.00% per annum and the rate on the Series 2013B Bonds is 8.00% per annum. Interest on the 2013A Bonds is payable to the bondholders semi-annually on each June 1 and December 1, commencing December 1, 2013. The 2013B Bonds did not bear interest from the date of issuance to December 15, 2017. Commencing December 15, 2017, interest accrued on the Series 2013B Bonds at 8.00% per annum, and are payable annually on December 15 each year, commencing December 15, 2018. The Series 2013A Bonds mature on December 1, 2033 and the Series 2013B Bonds mature on December 15, 2042. The 2013B Bonds were issued at a discount of \$4,574,560 which represents the present value, at issuance, of interest payments that were not required from the date of issuance through December 15, 2017.

The bond debt will be repaid from the proceeds of an ad valorem property tax and a specific ownership tax on the taxable property within District No. 2 and facilities fees through an agreement with the developer.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

Series 2013A Bonds and Series 2013B Bonds (Continued)

District No. 2 is required, pursuant to the bond agreements, to maintain project, bond, and surplus cash accounts. The purpose of the project reserve account is to account for the project proceeds and associated costs related to the project (including repayment of debt); any excess cash after the project is completed will be added to the bond reserve account fund. The purpose of the bond reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The surplus account is required to be maintained as long as the bonds are outstanding.

The Series 2020 bonds were used to refinance the 2013 Series Bonds during 2020.

General Obligation Limited Tax Refunding Bonds Series 2020A and Series 2020B

On August 8, 2020, the District issued \$36,595,000 in General Obligation Refunding and Improvement Bonds, Series 2020A (Series 2020A) and \$15,405,000 Subordinate General Obligation Limited Tax Bonds, Series 2020B (Series 2020B). The interest rate on the Series 2020A Bonds is 4.00%-5.00% per annum and the rate on the Series 2020B Bonds is 7.25% per annum. Interest on the Series 2020A Bonds is payable to the bondholders semiannually on each June 1 and December 1, commencing December 1, 2020. The Series 2020B Bonds of \$15,405,000 are term bonds due December 15, 2050. The Series 2020B Bonds are structured as cash flow bonds and have no fixed principal payment amounts due prior to maturity. Accordingly, no maturity schedule has been included in these financial statements.

The Bonds are special limited obligations of the District secured by and payable from the pledged revenues, consisting of the following source: (i) the Required Mill Levy; (ii) the Capital Fees; (iii) the portion of the Specific Ownership Tax which is collected as a result on the imposition of the Required Mill Levy; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenues.

District No. 2's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 380,000	\$ 1,526,550	\$ 1,906,550
2022	450,000	1,511,350	1,961,350
2023	470,000	1,493,350	1,963,350
2024	525,000	1,474,550	1,999,550
2025	545,000	1,453,550	1,998,550
2026-2030	3,500,000	6,835,000	10,335,000
2031-2035	4,960,000	5,831,200	10,791,200
2036-2040	6,675,000	4,648,000	11,323,000
2041-2045	8,585,000	3,161,800	11,746,800
2046-2050	10,505,000	1,293,600	11,798,600
Total	<u>\$ 36,595,000</u>	<u>\$ 29,228,950</u>	<u>\$ 65,823,950</u>

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 INFRASTRUCTURE DEVELOPMENT FEES

In 2013, District No. 2 entered into a facilities fee agreement with the developer to assist in the funding for the repayment of District No. 2 general obligation limited tax refunding bonds and subordinated general obligation limited tax refunding and improvement bonds issued in 2013. Facilities fees are due and payable to District No. 2 upon the earlier of the issuance of a building permit by the Regional Building Department or the sale of a platted lot. Any unpaid fees that are due and owing bear interest at a rate of 12.00% per annum. During the year ended December 31, 2020, District No. 2 received \$170,000 as facilities fees.

NOTE 6 NET POSITION

District No. 2 has net position consisting of one component - unrestricted.

District No. 2 has a deficit in unrestricted net position. The deficit was a result of District No. 2 being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from District No. 2's financial records.

NOTE 7 RELATED PARTY

The developer of the property which constitutes District No. 2 is Classic Development-Flying Horse, LLC, which is 100% owned by Elite Properties of America, Inc. (EPA). The members of the Board of Directors are officers, employees or associates of EPA and may have conflicts of interest in dealing with District No. 2.

NOTE 8 RISK MANAGEMENT

District No. 2 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.

District No. 2 is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. 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.

FLYING HORSE METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 RISK MANAGEMENT (CONTINUED)

District No. 2 pays annual premiums to the Pool for liability, property and public officials liability coverage. 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 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 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. District No. 2 transfers its net operating revenue to Flying Horse Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to District No. 2's revenue are reported in District No. 1.

District No. 2'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

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 2,015,484	\$ 2,015,025	\$ 2,015,025	\$ -
Specific Ownership Tax	200,365	219,085	219,085	-
Interest Income	24,000	12,292	12,292	-
Infrastructure Development Fees	144,000	170,000	170,000	-
Intergovernmental Revenues	2,300	2,538	2,538	-
Total Revenues	<u>2,386,149</u>	<u>2,418,940</u>	<u>2,418,940</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fee	30,384	30,257	30,257	-
Legal Services	-	238	238	-
Banking Fees	-	90	90	-
Intergovernmental Expenditures	553,699	37,085,260	37,085,260	-
Paying Agent Fees	2,300	2,300	2,300	-
Bond Insurance	-	292,603	292,603	-
Bond Interest - 2013A	1,524,000	1,513,758	1,513,758	-
Bond Interest - 2013B	-	807,217	807,217	-
Bond Interest - 2020A	-	487,648	487,648	-
Bond Interest - 2020B	-	292,768	292,768	-
Bond Principal - 2013A	355,000	6,650,000	6,650,000	-
Bond Principal - 2013B	-	15,725,000	15,725,000	-
Bond Issue Costs	-	912,478	912,478	-
Contingency	-	2,626	-	2,626
Total Expenditures	<u>2,465,383</u>	<u>63,802,243</u>	<u>63,799,617</u>	<u>2,626</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(79,234)	(61,383,303)	(61,380,677)	2,626
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	59,338,252	59,338,252	59,338,252
Total Other Financing Sources (Uses)	<u>-</u>	<u>59,338,252</u>	<u>59,338,252</u>	<u>59,338,252</u>
NET CHANGE IN FUND BALANCE	(79,234)	(2,045,051)	(2,042,425)	2,626
Fund Balance - Beginning of Year	<u>2,105,051</u>	<u>2,105,051</u>	<u>2,105,051</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,025,817</u>	<u>\$ 60,000</u>	<u>\$ 62,626</u>	<u>\$ 2,626</u>

OTHER INFORMATION

FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020

\$36,595,000			
General Obligation Limited Tax Refunding Bonds Series 2020A			
Dated August 8, 2020			
Interest Rate 4.00% - 5.00%			
Interest due June 1 and December 1			
Principal due December 1			
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 380,000	\$ 1,526,550	\$ 1,906,550
2022	450,000	1,511,350	1,961,350
2023	470,000	1,493,350	1,963,350
2024	525,000	1,474,550	1,999,550
2025	545,000	1,453,550	1,998,550
2026	605,000	1,431,750	2,036,750
2027	635,000	1,401,500	2,036,500
2028	705,000	1,369,750	2,074,750
2029	740,000	1,334,500	2,074,500
2030	815,000	1,297,500	2,112,500
2031	855,000	1,256,750	2,111,750
2032	935,000	1,214,000	2,149,000
2033	985,000	1,167,250	2,152,250
2034	1,070,000	1,118,000	2,188,000
2035	1,115,000	1,075,200	2,190,200
2036	1,200,000	1,030,600	2,230,600
2037	1,250,000	982,600	2,232,600
2038	1,340,000	932,600	2,272,600
2039	1,395,000	879,000	2,274,000
2040	1,490,000	823,200	2,313,200
2041	1,550,000	763,600	2,313,600
2042	1,655,000	701,600	2,356,600
2043	1,725,000	635,400	2,360,400
2044	1,790,000	566,400	2,356,400
2045	1,865,000	494,800	2,359,800
2046	1,940,000	420,200	2,360,200
2047	2,015,000	342,600	2,357,600
2048	2,100,000	262,000	2,362,000
2049	2,180,000	178,000	2,358,000
2050	2,270,000	90,800	2,360,800
	<u>2,270,000</u>	<u>90,800</u>	<u>2,360,800</u>
Total	<u>\$ 36,595,000</u>	<u>\$ 29,228,950</u>	<u>\$ 65,823,950</u>

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 39,090,340	5.000	30.000	\$ 1,368,162	\$ 1,368,948	100.06%
2017	43,157,500	5.000	30.000	1,510,513	1,509,570	99.94
2018	48,153,720	10.461	32.763	2,081,396	2,080,226	99.94
2019	52,796,370	10.462	32.775	2,282,757	2,283,076	100.01
2020	60,846,650	10.520	33.124	2,655,590	2,654,842	99.97
Estimated for the year ending December 31, 2021	\$ 66,095,910	10.520	33.124	\$ 2,884,690		

Note:

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