

**HM METROPOLITAN DISTRICT NO. 2  
Adams County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020**

**HM METROPOLITAN DISTRICT NO. 2  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2020**

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>3</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN         FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>4</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,         EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE         GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>5</b>
<b>GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND         CHANGES IN FUND BALANCES – BUDGET AND ACTUAL</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES,     EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND     ACTUAL</b>	<b>18</b>
<b>SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY     TAXES COLLECTED</b>	<b>19</b>

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
HM Metropolitan District No. 2  
Adams County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of HM Metropolitan District No. 2 (the 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 HM Metropolitan District No. 2, as of December 31, 2020, and the respective changes in financial position thereof, 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.

I

**Fiscal Focus Partners, LLC**

## **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, 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 the District's basic financial statements. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
September 28, 2021

## **BASIC FINANCIAL STATEMENTS**

**HM METROPOLITAN DISTRICT NO. 2  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 1
Receivable from HM Metropolitan District No. 1	9,709
Total Assets	9,710
<b>LIABILITIES</b>	
Accounts Payable	11,206
Noncurrent Liabilities:	
Due in More Than One Year	193,494
Total Liabilities	204,700
<b>NET POSITION</b>	
Unrestricted	(194,990)
Total Net Position	\$ (194,990)

See accompanying Notes to Basic Financial Statements.

**HM METROPOLITAN DISTRICT NO. 2  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
General Government	\$ 532,239	\$ -	\$ -	\$ 346,982	\$ (185,257)
Interest and Related Costs on Long-Term Debt	9,734	-	-	-	(9,734)
Total Governmental Activities	\$ 541,973	\$ -	\$ -	\$ 346,982	(194,991)
<b>GENERAL REVENUES</b>					
Other Revenue					1
Total General Revenues					1
<b>CHANGE IN NET POSITION</b>					(194,990)
Net Position - Beginning of Year					-
<b>NET POSITION - END OF YEAR</b>					\$ (194,990)

See accompanying Notes to Basic Financial Statements.

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

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 1	\$ -	\$ 1
Receivable from HM Metropolitan District No. 1	-	9,709	9,709
Total Assets	\$ 1	\$ 9,709	\$ 9,710
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 11,206	\$ 11,206
Total Liabilities	-	11,206	11,206
<b>FUND BALANCES</b>			
Restricted for:			
Capital Projects	-	(1,497)	(1,497)
Unassigned	1	-	1
Total Fund Balances	1	(1,497)	(1,496)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1	\$ 9,709	
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.			
Developer Advances Payable			(193,216)
Developer Advance Interest Payable			(278)
Net Position of Governmental Activities			\$ (194,990)

See accompanying Notes to Basic Financial Statements.

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

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Transfers from the Authority	\$ -	\$ 337,273	\$ 337,273
Transfers from Velocity MD	-	9,709	9,709
Other Revenue	1	-	1
Total Revenues	<u>1</u>	<u>346,982</u>	<u>346,983</u>
<b>EXPENDITURES</b>			
Transfers to the Authority - O&M	18,750	-	18,750
Transfers to the Authority - 64th Ave	-	513,489	513,489
Total Expenditures	<u>18,750</u>	<u>513,489</u>	<u>532,239</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(18,749)	(166,507)	(185,256)
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advance	18,750	502,283	521,033
Repay Developer Advance	-	(337,273)	(337,273)
Total Other Financing Sources (Uses)	<u>18,750</u>	<u>165,010</u>	<u>183,760</u>
<b>NET CHANGE IN FUND BALANCES</b>	1	(1,497)	(1,496)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1</u>	<u>\$ (1,497)</u>	<u>\$ (1,496)</u>

See accompanying Notes to Basic Financial Statements.

**HM 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 \$ (1,496)

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 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:

Developer Advance	(521,033)
Repay Developer Advance Principal	327,817

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

Accrued Interest on Developer Advances - Change in Liability	(278)
--	-------

Change in Net Position of Governmental Activities	\$ (194,990)
---	--------------

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

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other Revenue	\$ -	\$ -	\$ 1	\$ 1
Total Revenues	-	-	1	1
<b>EXPENDITURES</b>				
Accounting	10,000	10,000	-	10,000
Audit	5,000	5,000	-	5,000
Election	2,000	2,000	-	2,000
Insurance	9,000	9,000	-	9,000
Legal	23,850	23,850	-	23,850
Emergency Reserve	150	150	-	150
Transfers to the Authority - O&M	-	50,000	18,750	31,250
Total Expenditures	50,000	100,000	18,750	81,250
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(50,000)	(100,000)	(18,749)	81,251
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	50,000	100,000	18,750	(81,250)
Total Other Financing Sources (Uses)	50,000	100,000	18,750	(81,250)
<b>NET CHANGE IN FUND BALANCES</b>				
	-	-	1	1
Fund Balances - Beginning of Year	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>

See accompanying Notes to Basic Financial Statements.

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

**NOTE 1 DEFINITION OF REPORTING ENTITY**

HM Metropolitan District No. 2 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County, Colorado on November 22, 2019, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Aurora. The District is located in Aurora.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including street, safety protection, park and recreation, transportation, retaining walls, trails, open space, landscaping, drainage improvements, and irrigation system improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-Wide and Fund Financial Statements**

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

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

**HM 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 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 as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and operations fees. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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

The District amended its annual budget for the year ended December 31, 2020.

**Pooled Cash and Investments**

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

**Capital Assets**

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The District had no capital assets as of December 31, 2020.

**Equity**

**Net Position**

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**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 the District's practice to use the most restrictive classification first.

**Deficits**

The Capital Projects Fund reported a deficit in the fund financials state as of December 31, 2020. The deficits will be eliminated with the receipt of Developer advances in 2021.

**HM 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	\$ 1
Total Cash and Investments	\$ 1

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

Deposits with Financial Institutions	\$ 1
Total Cash and Investments	\$ 1

**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.

At December 31, 2020, the District's cash deposits had a bank balance of \$1 and a carrying balance of \$1.

**Investments**

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

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

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

**HM 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, the District had no investments.

**NOTE 4 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District'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
Governmental Activities:					
Developer Advances:					
Operations	\$ -	\$ 18,750	\$ -	\$ 18,750	
Capital	-	502,283	327,817	174,466	-
Accrued Interest on					
Developer Advances:					
Operations	-	234	-	234	
Capital	-	9,500	9,456	44	-
Total	<u>\$ -</u>	<u>\$ 530,767</u>	<u>\$ 337,273</u>	<u>\$ 193,494</u>	<u>\$ -</u>

**Debt Authorization**

On November 5, 2019 the District's voters authorized total indebtedness of \$6,500,000,000.00.

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

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization (Continued)**

The authorized but unissued debt as of December 31, 2020 is as follows:

	Authorized November 5, 2019 Election	Authorization Used	Remaining at December 31, 2020
Street Improvements	\$ 500,000,000	\$ -	\$ 500,000,000
Parks and Recreation	500,000,000	-	500,000,000
Water	500,000,000	-	500,000,000
Sanitation/Storm Sewer	500,000,000	-	500,000,000
Transportation	500,000,000	-	500,000,000
Mosquito Control	500,000,000	-	500,000,000
Traffic and Safety Protection	500,000,000	-	500,000,000
Fire Protection	500,000,000	-	500,000,000
TV Relay and Translation	500,000,000	-	500,000,000
Security	500,000,000	-	500,000,000
Refunding of Debt	1,500,000,000		1,500,000,000
Total	<u>\$ 6,500,000,000</u>	<u>\$ -</u>	<u>\$ 6,500,000,000</u>

As of December 31, 2020, the District had \$500,000,000 remaining authority under the Service Plan.

**NOTE 5 AGREEMENTS**

**64<sup>th</sup> Ave ARI Authority Establishment Agreement**

The 64<sup>th</sup> Ave ARI Authority Establishment Agreement became effective on April 7, 2020 between the District, CIC Metropolitan District No. 11 (CIC MD 11), Velocity Metropolitan District No. 4 (VMD 4), Velocity Metropolitan District No. 5 (VMD 5), Velocity Metropolitan District No. 6 (VMD 6), and the City of Aurora establishing the 64<sup>th</sup> Ave ARI Authority (the Authority). The Agreement was amended on July 28, 2020 deleting the City of Aurora as a party and adding CIC Metropolitan District Nos. 6, 7, 8, 9, and 10. Pursuant to the Amended and Restated 64<sup>th</sup> Ave ARI Authority Establishment Agreement, the Authority has issued bonds in order to fund the planning, designing, financing, acquiring, constructing, maintaining, and installing the widening of the 64<sup>th</sup> Avenue bridge over E-470 and the extension of 64<sup>th</sup> Avenue from E-470 to Jackson Gap (the 64<sup>th</sup> Ave Regional Improvements). The District shall impose an ARI Mill Levy, the first \$50,000 collected beginning in 2020, and in every year thereafter, shall be committed to the payment of the Authority's administrative, operations, and maintenance expenses. The remainder of ARI Mill Levy Revenue shall be used to finance the 64<sup>th</sup> Ave Regional Improvements and eventually be pledged towards repayment of the Authority's bonds.

**Intergovernmental Operation Funding Agreement**

The District entered into an Intergovernmental Facilities Funding and Reimbursement Agreement (the Agreement) with L.C Fulenwider, Inc (the Developer) and the Authority on July 28, 2020. Pursuant to the Agreement, the Developer will provide advances to the District to finance administrative and operations and maintenance expenses for the Authority the event the ARI Mill Levy provides a shortfall. The advances will bear an interest rate of 8.00%.

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

**NOTE 5 AGREEMENTS (CONTINUED)**

**Intergovernmental Facilities Funding and Reimbursement Agreement**

The District entered into an Intergovernmental Facilities Funding and Reimbursement Agreement (the Facilities Agreement) with the Developer and the Authority on July 28, 2020. Pursuant to the Facilities Agreement, the Developer will provide advances to the District to finance the 64<sup>th</sup> Ave Regional Improvements. The advances will bear an interest rate of 8.00%.

**Operation Funding Agreement**

The District entered into a 2020 Operation Funding Agreement with the Developer on October 7, 2020 (“OFA”). Pursuant to the OFA, the Developer will provide advances to the District up to \$65,000.00 (“Shortfall Amount”) to pay for operations, maintenance, and administrative expenses pursuant to the terms of the OFA. Under the OFA, the Developer’s obligation to fund the Shortfall Advances terminates on December 31, 2020. The advances will bear an interest rate of 8%. The OFA was amended on December 2, 2020 to increase the Shortfall Amount to \$155,000.00 and to extend the Developer’s obligation to fund the Shortfall Amount through 2021.

**Facilities Funding and Acquisition Agreement**

The District entered into a 2020 Facilities Funding and Acquisition Agreement with the Developer on October 7, 2020 (“FFAA”). Pursuant to the FFAA, the Developer will provide advances to the District up to \$1,250,000.00 (“Developer Advance”) for the payment of funds related to the design, testing, engineering, and construction of improvements within the District, together with the related consultant and management fees associated with the construction of the improvements. The Developer Advances will bear an interest rate of 8%.

**Facilities Funding and Reimbursement Agreement – Districts Funding Deposit and Project Budget Shortfall**

The Authority (as defined above), the District, and Fulenwider entered into a Facilities Funding and Reimbursement Agreement – Districts Funding Deposit and Project Budget Shortfall (Post-Bond FFRA), effective October 7, 2020, which sets forth how much the District and Colorado International Center Metropolitan District Nos. 6-11 (the “CIC Districts”) will each contribute towards the Authority’s Project Budget and any potential Project Budget Shortfall, as those terms are defined in the Establishment Agreement (defined below). In the event of a Project Budget Shortfall to fund the actual cost of completion to final acceptance of the 64th Ave. Regional Improvements by the City, the Authority shall make revisions, if feasible, to the scope of the 64th Ave. Regional Improvements so as to make possible the completion to final acceptance with the funds available. In the event revisions to the scope do not reduce the cost of completion to final acceptance with the funds available, the CIC Districts shall jointly fund 77% of the Project Budget Shortfall the District shall fund the remaining 23%.

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

**NOTE 5 AGREEMENTS (CONTINUED)**

**Capital Pledge Agreement**

On April 7, 2020, and as amended and restated on July 28, 2020, the District, along with the CIC Districts, and Velocity Metropolitan District Nos. 4-6 (Velocity) formed the Authority pursuant to the Amended and Restated 64th Ave. ARI Authority Establishment Agreement (the "Establishment Agreement") in order to provide for the financing, construction, and operation of 64th Ave. from E-470 to Jackson Gap. Subsequently, on October 29, 2020, the Authority issued its Special Revenue Bonds, Series 2020 and, pursuant to the Capital Pledge Agreement dated October 1, 2020, the District agreed to impose the ARI Mill Levy in support of the repayment thereof.

**NOTE 6 NET POSITION**

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

The District has a deficit in unrestricted net position. The deficit at December 31, 2020 was primarily due to interest paid and related costs on long-term debts.

**NOTE 7 RELATED PARTIES**

The Developer of the property which constitutes the District is L.C. Fulenwider Inc. Certain members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

**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). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, workers' compensation, 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.

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

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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.

On November 5, 2019, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

**SUPPLEMENTARY INFORMATION**

**HM METROPOLITAN DISTRICT NO. 2  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Transfers from the Authority	\$ -	\$ -	\$ 337,273	\$ 337,273
Transfers from Velocity MD	-	-	9,709	9,709
Total Revenues	-	-	346,982	346,982
<b>EXPENDITURES</b>				
Transfers to the Authority - 64th Ave	-	1,000,000	513,489	486,511
Capital Outlay	-	250,000	-	250,000
Total Expenditures	-	1,250,000	513,489	736,511
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	-	(1,250,000)	(166,507)	1,083,493
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	-	1,250,000	502,283	(747,717)
Repay Developer Advance	-	-	(337,273)	337,273
Total Other Financing Sources (Uses)	-	1,250,000	165,010	(747,717)
<b>NET CHANGE IN FUND BALANCES</b>				
	-	-	(1,497)	(1,497)
Fund Balances - Beginning of Year	-	-	-	-
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,497)</b>	<b>\$ (1,497)</b>

**HM 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	ARI	Levied	Collected	
2020	\$ 10	0.000	0.000	\$ -	\$ -	N/A
Estimated for the Year Ending December 31,						
2021	\$ 10	10.000	5.000	\$ -		