

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2021**

**FLYING HORSE METROPOLITAN DISTRICT NO. 2  
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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
**Flying Horse Metropolitan District No. 2**  
El Paso County, Colorado

### Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position, and the budgetary comparison schedule for the general fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional information 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*

Management is responsible for the other information, as identified in the table of contents ("other information"). The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

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

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 21, 2022

## **BASIC FINANCIAL STATEMENTS**

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 18,050
Cash and Investments - Restricted	111,469
Receivable - County Treasurer	26,739
Property Taxes Receivable	3,227,664
Total Assets	3,383,922
<b>LIABILITIES</b>	
Accrued Interest Payable	125,946
Noncurrent Liabilities:	
Due Within One Year	450,000
Due in More Than One Year	58,623,573
Total Liabilities	59,199,519
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Taxes	3,227,664
Total Deferred Inflows of Resources	3,227,664
<b>NET POSITION</b>	
Restricted For:	
Debt Service	5,818
Unrestricted	(59,049,079)
Total Net Position	\$ (59,043,261)

See accompanying Notes to Basic Financial Statements.



**FLYING HORSE METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 18,050	\$ -	\$ 18,050
Cash and Investments - Restricted	-	111,469	111,469
Receivable from County Treasurer	6,444	20,295	26,739
Property Taxes Receivable	806,880	2,420,784	3,227,664
 Total Assets	 \$ 831,374	 \$ 2,552,548	 \$ 3,383,922
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	806,880	2,420,784	3,227,664
Total Deferred Inflows of Resources	806,880	2,420,784	3,227,664
 <b>FUND BALANCES</b>			
Restricted For:			
Debt Service	-	131,764	131,764
Unassigned:			
General Government	24,494	-	24,494
Total Fund Balances	24,494	131,764	156,258
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 831,374	 \$ 2,552,548	

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	(59,073,573)
Accrued Interest on Bonds Payable	(125,946)

Net Position of Governmental Activities

\$ (59,043,261)

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 695,222	\$ 2,189,516	\$ 2,884,738
Specific Ownership Taxes	81,642	257,120	338,762
Interest Income	598	2,057	2,655
Intergovernmental Revenues	-	7,000	7,000
Infrastructure Development Fees	-	218,000	218,000
Total Revenues	777,462	2,673,693	3,451,155
<b>EXPENDITURES</b>			
Current:			
County Treasurer's Fee	10,437	32,871	43,308
Banking Fees	-	2	2
Intergovernmental Expenditures	796,000	-	796,000
Debt Service:			
Paying Agent Fees	-	7,000	7,000
Bond Interest - 2020A	-	1,526,550	1,526,550
Bond Interest - 2020B	-	658,131	658,131
Bond Principal - 2020A	-	380,000	380,000
Total Expenditures	806,437	2,604,554	3,410,991
<b>NET CHANGE IN FUND BALANCES</b>	(28,975)	69,139	40,164
Fund Balances - Beginning of Year	53,469	62,625	116,094
<b>FUND BALANCES - END OF YEAR</b>	\$ 24,494	\$ 131,764	\$ 156,258

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, 2021**

Net Change in Fund Balances - Governmental Funds \$ 40,164

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 380,000

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 376,968  
 Accrued Interest on Bonds - Change in Liability 1,267  
 Accrued Interest on Bonds - Unpaid Interest on 2020B Bonds (458,732)

Changes in Net Position of Governmental Activities \$ 339,667

**FLYING HORSE METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 695,329	\$ 695,222	\$ 695,222	\$ -
Specific Ownership Taxes	69,533	81,642	81,642	-
Interest Income	200	598	598	-
Other Revenue	5,000	-	-	-
Total Revenues	<u>770,062</u>	<u>777,462</u>	<u>777,462</u>	<u>-</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	10,430	10,437	10,437	-
Intergovernmental Expenditures	758,092	796,000	796,000	-
Miscellaneous	5,000	2,563	-	2,563
Total Expenditures	<u>773,522</u>	<u>809,000</u>	<u>806,437</u>	<u>2,563</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,460)	(31,538)	(28,975)	2,563
Fund Balance - Beginning of Year	<u>6,706</u>	<u>53,469</u>	<u>53,469</u>	<u>46,763</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,246</u>	<u>\$ 21,931</u>	<u>\$ 24,494</u>	<u>\$ 49,326</u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Flying Horse Metropolitan District No. 2 (the District), 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 (the City).

The District 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. The District and District No. 3 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 the District.

The District 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.

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

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

**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 taxes.

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 is reported as net position.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Budgets**

In accordance with 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, 2021.

**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.

**Property Taxes**

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred 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. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**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 the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

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

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

*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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 18,050
Cash and Investments - Restricted	111,469
Total Cash and Investments	\$ 129,519

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

Deposits with Financial Institutions	\$ 129,454
Investments	65
Total Cash and Investments	\$ 129,519

**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, 2021, the District's cash deposits had a bank balance and a book balance of \$129,454, respectively.

**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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2021**

**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, 2021, the District 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	\$ 65

**COLOTRUST**

The District 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 the District 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, 2021**

**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, 2021:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due Within One Year
Bonds Payable:					
Series 2020A Bonds - Principal	\$ 36,595,000	\$ -	\$ 380,000	\$ 36,215,000	\$ 450,000
Series 2020A Bonds - Premium	7,217,832	-	376,968	6,840,864	-
Series 2020B Bonds - Principal	15,405,000	-	-	15,405,000	-
Series 2020B Bonds - Accrued Interest	153,977	1,116,863	658,131	612,709	-
Total	<u>\$ 59,371,809</u>	<u>\$ 1,116,863</u>	<u>\$ 1,415,099</u>	<u>\$ 59,073,573</u>	<u>\$ 450,000</u>

The details of the District's long-term obligations are as follows:

**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.

**Events of Default**

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the indenture.
- ii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, other than as described in paragraph (i) above and fails to remedy the same after notice thereof pursuant to the indenture.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

**Events of Default (Continued)**

- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits there of pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but not withstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
- ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

**No Acceleration**

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2021, the District was not in default.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

The District'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>
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
2027-2031	3,750,000	6,660,000	10,410,000
2032-2036	5,305,000	5,605,050	10,910,050
2037-2041	7,025,000	4,381,000	11,406,000
2042-2046	8,975,000	2,818,400	11,793,400
2047-2050	8,565,000	873,400	9,438,400
Total	<u>\$ 36,215,000</u>	<u>\$ 27,702,400</u>	<u>\$ 63,917,400</u>

**NOTE 5 INFRASTRUCTURE DEVELOPMENT FEES**

In 2013, the District authorized the assessment of infrastructure development fees to assist in the funding of improvements in the District. Infrastructure development fees are applicable to all properties within the District and are due and payable to the District 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, 2021, the District received \$218,000 as facilities fees.

**NOTE 6 NET POSITION**

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

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2021, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Debt Service	\$ 5,818
Total Restricted Net Position	<u>\$ 5,818</u>

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 7 RELATED PARTY**

The developer of the property which constitutes the District 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 the District.

**NOTE 8 RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2021. 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 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. The District 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 the District's revenue are reported in District No. 1.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUES)**

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**

**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, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 2,189,361	\$ 2,189,516	\$ 2,189,516	\$ -
Specific Ownership Tax	218,936	257,120	257,120	-
Interest Income	24,000	2,057	2,057	-
Infrastructure Development Fees	144,000	218,000	218,000	-
Intergovernmental Revenues	2,300	7,000	7,000	-
Total Revenues	<u>2,578,597</u>	<u>2,673,693</u>	<u>2,673,693</u>	<u>-</u>
<b>EXPENDITURES</b>				
County Treasurer's Fee	32,840	32,871	32,871	-
Banking Fees	-	2	2	-
Paying Agent Fees	2,300	7,000	7,000	-
Bond Interest - 2020A	1,526,550	1,526,550	1,526,550	-
Bond Interest - 2020B	283,000	658,131	658,131	-
Bond Principal - 2020A	380,000	380,000	380,000	-
Miscellaneous	-	15,446	-	15,446
Total Expenditures	<u>2,224,690</u>	<u>2,620,000</u>	<u>2,604,554</u>	<u>15,446</u>
<b>NET CHANGE IN FUND BALANCE</b>	353,907	53,693	69,139	15,446
Fund Balance - Beginning of Year	<u>44,553</u>	<u>62,625</u>	<u>62,625</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 398,460</u>	<u>\$ 116,318</u>	<u>\$ 131,764</u>	<u>\$ 15,446</u>

## **OTHER INFORMATION**

**FLYING HORSE METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**DECEMBER 31, 2021**

\$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>
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>\$ 36,215,000</u>	<u>\$ 27,702,400</u>	<u>\$ 63,917,400</u>

**FLYING HORSE METROPOLITAN DISTRICT NO. 2  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2021**

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	
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	2,884,738	108.63
2021	66,095,910	10.520	33.124	2,884,690	2,884,738	100.00
Estimated for the Year Ending December 31, 2022	\$ 72,482,910	11.132	33.398	\$ 3,227,664		

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.