

**HUNTERS OVERLOOK METROPOLITAN
DISTRICT NO. 2
Weld County, Colorado**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

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INDEPENDENT AUDITORS' REPORT



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Independent Auditors' Report

Members of the Board of Directors
Hunters Overlook Metropolitan District No. 2
Severance, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Hunters Overlook Metropolitan District No. 2 as of and for the year ended December 31, 2023 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 the major fund of Hunters Overlook Metropolitan District No. 2, as of December 31, 2023 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hunters Overlook Metropolitan District No. 2 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

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 Hunters Overlook Metropolitan District No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinion. 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 generally accepted auditing standards 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.

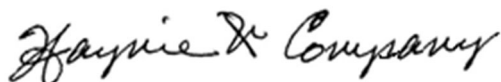
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Hunters Overlook Metropolitan District No. 2'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 Hunters Overlook Metropolitan District No. 2'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.

Required Supplementary Information

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



Littleton, Colorado
July 29, 2024

BASIC FINANCIAL STATEMENTS

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
December 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Property taxes receivable	\$ 632,716
Receivable from county treasurer	<u>1,405</u>
Total assets	<u><u>634,121</u></u>
 LIABILITIES	
Due to other governments	<u>1,405</u>
Total liabilities	<u><u>1,405</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>632,716</u>
Total deferred inflows of resources	<u><u>632,716</u></u>
 NET POSITION	
Total net position	<u><u>\$ -</u></u>

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Change in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 6,918	\$ -	\$ -	\$ -	\$ (6,918)
	<u>\$ 6,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,918)</u>
General revenues:					
Property taxes					460,982
Specific ownership taxes					19,604
Interest					197
Total general revenues					<u>480,783</u>
Transfer to other governments					<u>(473,865)</u>
Change in net position					<u>-</u>
Net position - beginning					<u>\$ -</u>
Net position - ending					<u>\$ -</u>

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2023

	General
ASSETS	
Property taxes receivable	\$ 632,716
Receivable from county treasurer	1,405
Total assets	634,121
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Due to other governments	1,405
Total liabilities	1,405
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	632,716
Total deferred inflows of resources	632,716
 FUND BALANCE	 -
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ 634,121

There are no reconciling differences between the fund balances of the governmental funds and the net position of governmental activities.

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended December 31, 2023

	General
REVENUES	
Property tax	\$ 460,982
Specific ownership tax	19,604
Interest	197
Total Revenues	480,783
EXPENDITURES	
General	
County Treasurer Fees	6,918
Total Expenditures	6,918
EXCESS OF REVENUES OVER EXPENDITURES	473,865
OTHER FINANCING SOURCES (USES)	
Transfer to Hunters Overlook Metropolitan District No. 1 - Operations	(78,976)
Transfer to Hunters Overlook Metropolitan District No. 5 - Debt Service	(394,889)
Total other financing sources (uses)	(473,865)
NET CHANGE IN FUND BALANCE	-
FUND BALANCE - BEGINNING OF YEAR	-
FUND BALANCE - END OF YEAR	\$ -

There are no reconciling differences between the net change in fund balances of governmental funds and the change in net position of governmental activities.

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2023

	<u>Budgeted Amounts</u> <u>Original & Final</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property tax	\$ 460,982	\$ 460,982	\$ -
Specific ownership tax	30,000	19,604	(10,396)
Interest	2,000	197	(1,803)
Total Revenues	<u>492,982</u>	<u>480,783</u>	<u>(12,199)</u>
EXPENDITURES			
County treasurer fees	6,915	6,918	(3)
Contingency	2,000	-	2,000
Total Expenditures	<u>8,915</u>	<u>6,918</u>	<u>1,997</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>484,067</u>	<u>473,865</u>	<u>(10,202)</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Hunters Overlook Metropolitan District No. 1 - Operations	(82,291)	(78,976)	3,315
Transfer to Hunters Overlook Metropolitan District No. 5 - Debt Service	(401,776)	(394,889)	6,887
Total other financing sources (uses)	<u>(484,067)</u>	<u>(473,865)</u>	<u>10,202</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

1. DEFINITION OF REPORTING ENTITY

Hunters Overlook Metropolitan District No. 2 (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on November 14, 2017 concurrently with seven other Districts. Hunters Overlook District Nos. 1-8 ("the Districts") were organized to provide for the construction and financing of street, safety control, non-potable water and landscaping improvements. The Districts' service area is located entirely within the Town of Severance in Weld County, Colorado, commonly known as "Overlook". District No. 1 is the "Coordinating District" and expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2-8, as "Financing Districts", are expected to contain residential development, include future development and provide revenue to support the Districts' activities. As such, District No. 5 obtained financing for reimbursing and acquiring public improvement projects. District Nos. 2, 3, 4 and 6 ("Taxing Districts") are responsible for providing the funding and tax base needed to support the Coordinating District and service debt. The revenues from property taxes levied by District Nos. 2, 3, 4 and 6 are pledged to District No. 1 for operations and District No. 5 for debt service.

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 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 operations and administrative functions are contracted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the effect of interfund activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all of the financial and capital resources of the District. The difference between the assets and the liabilities and deferred inflows is reported as net position.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

The statement of activities demonstrates the degree to which 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) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Separate financials are provided for governmental funds.

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 the related cash flow.

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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under lease purchases are reported as other financing sources.

The District reports the following major governmental fund:

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

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

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

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

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

Deferred Inflows 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.

Fund Balances — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based on the extent to which the District 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:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. 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.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

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

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

3. CASH AND INVESTMENTS

Deposits with financial institutions — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2023, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. The 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 to 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.

The District had no cash deposits as of December 31, 2023.

Investments — The District's investment policy follows state statutes regarding investments. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the District. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of local government securities, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

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

The District did not have any investments as of December 31, 2023.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

4. AGREEMENTS

Intergovernmental Agreement — On November 16, 2017, the Districts entered into an Intergovernmental Agreement (the “IGA”) in order to implement the Service Plan. According to the Service Plan, District No. 1 is the coordinating district and is expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2 through 8 are financing districts and contain residential development. The financing districts are expected to include development and provide revenue to support the Districts’ activities. The IGA provides that District No. 1 shall be the owner and operator of district owned improvements and may provide for the funding of construction, operation or maintenance of the public improvements through further and future indebtedness. District Nos. 2-8 shall impose and collect any property taxes, remit the proceeds of any indebtedness, taxes or otherwise provide for the funding of the construction, operation or maintenance of the public improvements. The IGA stipulates the obligations and limitations of District No. 1 as the “operator” of the public improvements.

The IGA also engages District No. 1 as the “district administrator” for all the Districts. District administration includes preparation of annual budgets, engagement of legal counsel and other consultants and statutory compliance measures.

Advance and Reimbursement Agreement — On November 16, 2017, the Districts, collectively, entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$46,858,382 in installments available to the Districts through December 1, 2018. The funds advanced under the agreement shall be applied to capital costs of the Districts as established in the Districts’ annual budgets. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

Under the terms of the agreement, on November 16, 2017 the Districts executed a Revenue and Limited Tax Obligation Subordinate Promissory Note of up to \$46,858,382 registered to the Developer. The note bears an interest rate of 2% plus the current Federal Reserve Board prime rate and matured on November 16, 2018. During 2023, the note was renewed according to the terms of the agreement with a new maturity date of October 25, 2024.

Funding and Reimbursement Agreement — On November 16, 2017, the Districts, collectively, entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$500,000. The funds advanced under the agreement shall be applied to costs associated with formation, administration, operations and maintenance of public facilities and for other budgeted general fund expenditures during the term of the Agreement. The term of the agreement is annually renewable for one year terms to be considered at the time of the budget approval of the Districts. Upon request of the Developer, the Districts agreed to issue Promissory Notes to evidence the repayment obligation of the existing loan advances. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

Under the terms of the agreement, on November 16, 2017 District Nos. 1-8 executed a Revenue and Limited Tax Obligation Promissory Note of up to \$500,000 registered to the Developer. The note bears an interest rate of 2% plus the current Federal Reserve Board prime rate with an original maturity date of November 16, 2018. During 2023, the note was renewed according to the terms of the agreement with a new maturity date of October 25, 2024.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

Improvement Acquisition Agreement — On November 16, 2017, the Districts, collectively, entered into an Improvement Acquisition Agreement with Severance Overlook Investments, LLC (the “Developer”). The Developer has designed and constructed certain improvement on behalf of the District. Pursuant to the agreement, the Districts agreed to acquire from the Developer completed improvements or improvements under construction and improvements constructed in the future. The purchase price shall be equal to the District’s costs. As of the date of the agreement, the Districts did not have funds available to pay for the acquisition of improvements. The Districts agreed to acquire the improvements from bond proceeds and subordinate obligations issued to the Developer.

Pledge Agreements — On August 12, 2019, District Nos. 2, 3, 4, and 6 (“Taxing Districts”) entered into a Senior Capital Pledge Agreement with the Senior Indenture trustee to support the payment of the Series 2019A Senior Bonds, and a Subordinate Capital Pledge Agreement with the Subordinate Indenture trustee to support the payment of the Series 2019B Subordinate Bonds. See Note 5 for additional information on the bonds.

5. LONG-TERM LIABILITIES

The District had no long-term liabilities at December 31, 2023. However, a portion of the District’s property taxes are pledged as revenue to the Series 2019 Senior and Subordinate Limited Tax General Obligation bonds issued by District No. 5. The Bonds are described below.

\$18,790,000 Senior Limited Tax General Obligation Bonds, Series 2019A — On August 21, 2019, District No. 5 issued \$18,790,000 in senior limited tax general obligation bonds. The 2019A bonds bear an interest rate of 5%. Interest payments are due semiannually June 1 and December 1 commencing on December 1, 2019. \$7,210,000 of the bonds mature on December 1, 2039. These bonds are subject to mandatory sinking fund redemption beginning on December 1, 2022 and each December 1 thereafter. \$11,580,000 of the bonds mature on December 1, 2049. These bonds are subject to mandatory sinking fund redemption beginning on December 1, 2040 and each December 1 thereafter. The bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2024 with premium rates ranging from 0-3%. The outstanding balance on the bonds at December 31, 2023 was \$18,425,000.

The bonds constitute limited tax general obligations of District No. 5 payable from Pledged Revenue. Pledged revenue includes all Senior Property Tax Revenues, all Senior Specific Ownership Tax Revenues, and any other legally available moneys which District No. 5 determines, in its absolute discretion to credit to the Senior Bond Fund.

In order to support payment of the Series 2019A Senior Bonds, District No. 5, the bond issuer and the Taxing Districts, entered into a Senior Capital Pledge Agreement which obligates the Taxing Districts to levy ad valorem property taxes and to pay such taxes and specific ownership taxes to the Senior Indenture Trustee. The senior required mill levy constitutes a mill levy imposed by all of the Taxing Districts sufficient to pay principal and interest on the Series 2019A Senior Bonds as they become due but not in excess of 50 mills increased or decreased so that the actual tax revenues generated by the mill levy are neither diminished or enhanced as a result of changes in the ratio of actual valuation to assessed valuation.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

\$5,477,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B — On August 21, 2019, District No. 5 issued \$5,477,000 in subordinate limited tax general obligation bonds. The 2019B bonds bear an interest rate of 8.5%. Interest payments are due annually on December 15 commencing on December 15, 2019. The bonds mature on December 15, 2049.

The bonds constitute limited tax general obligations of District No. 5 payable from Subordinate Pledged Revenue. Subordinate pledged revenue means all money derived from imposition by the Taxing Districts of the Subordinate Required Mill Levy. The Subordinated pledged revenue includes all property tax collected by the District.

In order to support payment of the Series 2019B Subordinate Bonds, District No. 5, the bond issuer, the Taxing Districts, and the Subordinate Indenture Trustee entered into a Subordinate Capital Pledge Agreement which obligates the Taxing Districts to levy ad valorem property taxes and to pay such taxes and specific ownership taxes to the Subordinate Indenture Trustee. The subordinate required mill levy constitutes a mill levy imposed by all of the Taxing Districts in an amount equal to 50 mills less the then-applicable Senior Obligation Mill Levy increased or decreased so that the actual tax revenues generated by the mill levy are neither diminished or enhanced as a result of changes in the ratio of actual valuation to assessed valuation.

The senior long term debt will mature as follows:

	Series 2019A		
	Limited Tax General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 220,000	\$ 921,250	\$ 1,141,250
2025	230,000	910,250	1,140,250
2026	265,000	898,750	1,163,750
2027	275,000	885,500	1,160,500
2028	315,000	871,750	1,186,750
2029-2033	1,975,000	4,098,000	6,073,000
2034-2038	2,870,000	3,519,250	6,389,250
2039-2043	4,010,000	2,694,000	6,704,000
2044-2048	5,510,000	1,549,000	7,059,000
2049	2,755,000	137,750	2,892,750
	<u>\$ 18,425,000</u>	<u>\$ 16,485,500</u>	<u>\$ 34,910,500</u>

Because of the uncertainty of the timing of the principal and interest payment of the Series 2019B Bonds, no schedule of principal and interest payments is presented.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

6. DEBT AUTHORIZATION

On November 7, 2017, the electors of the Districts, collectively, authorized the issuance of indebtedness in an amount not to exceed \$468,583,820 for improvements, \$46,858,382 for operations and maintenance, and \$93,716,764 for refunding, refinancing or defeasing district debt and other fiscal obligations. Pursuant to the Service Plan, the District is permitted to issue indebtedness of up to \$46,858,382. As of December 31, 2023, the Districts had \$13,566,382 remaining authority under the Service Plan.

7. RELATED PARTY

The Developer of the property which constitutes the District is Severance Overlook Investments LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District.

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2023, under Hunters Overlook Metropolitan District No. 1. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

District No. 1 pays annual premiums to the Pool for liability 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.

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.

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. All revenues of the District are transferred to District No. 1 pursuant to the IGA; therefore, District No. 1 has established the Emergency Reserves for all Districts within the project.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS (continued)

On November 7, 2017, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2017 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.