

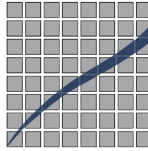
HORIZON METROPOLITAN DISTRICT NO. 2
Arapahoe County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

**HORIZON METROPOLITAN DISTRICT NO. 2
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YEAR ENDED DECEMBER 31, 2021**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Horizon Metropolitan District No. 2
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Horizon 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, the respective changes in financial position, and the budgetary comparison schedule for the general fund, and the budgetary comparison 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 the 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. 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
September 22, 2022

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Investments - Restricted	\$ 2,000
Receivable - County Treasurer	780
Property Taxes Receivable	2,061
Total Assets	4,841
 LIABILITIES	
Due to other District	780
Noncurrent Liabilities:	
Due in More than One Year	25,690,124
Total Liabilities	25,690,904
 DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	2,061
 NET POSITION	
Restricted for:	
Debt Service	2,000
Unrestricted	(25,690,124)
Total Net Position	\$ (25,688,124)

See accompanying Notes to Basic Financial Statements.

**HORIZON METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 8	\$ -	\$ -	\$ -	\$ (8)
Interest and Related Costs on Long-Term Debt	26,038,266	-	-	-	(26,038,266)
Total Governmental Activities	\$ 26,038,274	\$ -	\$ -	\$ -	(26,038,274)
 GENERAL REVENUES					
Property Taxes					340,595
Specific Ownership Taxes					9,555
Total General Revenues					350,150
 CHANGE IN NET POSITION					
Net Position - Beginning of Year					-
 NET POSITION - END OF THE YEAR					
					\$ (25,688,124)

See accompanying Notes to Basic Financial Statements.

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

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Investments - Restricted	\$ -	\$ 2,000	\$ -	\$ 2,000
Receivable - County Treasurer	780	-	-	780
Property Taxes Receivable	372	1,689	-	2,061
Total Assets	\$ 1,152	\$ 3,689	\$ -	\$ 4,841
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to other District	\$ 780	\$ -	\$ -	\$ 780
Total Liabilities	780	-	-	780
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	372	1,689	-	2,061
Total Deferred Inflows of Resources	372	1,689	-	2,061
FUND BALANCES (DEFICITS)				
Restricted for:				
Debt Service	-	2,000	-	2,000
Total Fund Balances (Deficits)	-	2,000	-	2,000
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,152	\$ 3,689	\$ -	

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 as liabilities in the funds.

Bond Payable	(25,247,000)
Bond Payable - Accrued Interest	(443,124)
Net Position of Governmental Activities	\$ (25,688,124)

See accompanying Notes to Basic Financial Statements.

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

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 556	\$ -	\$ -	\$ 556
Property Taxes - TIF	340,039	-	-	340,039
Specific Ownership Taxes	9,555	-	-	9,555
Total Revenues	<u>350,150</u>	<u>-</u>	<u>-</u>	<u>350,150</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	8	-	-	8
Bond Issue Costs	-	-	857,219	857,219
Transfers to other District	355,893	-	24,382,030	24,737,923
Total Expenditures	<u>355,901</u>	<u>-</u>	<u>25,239,249</u>	<u>25,595,150</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,751)	-	(25,239,249)	(25,245,000)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	25,247,000	25,247,000
Transfers In (Out)	5,751	2,000	(7,751)	-
Total Other Financing Sources (Uses)	<u>5,751</u>	<u>2,000</u>	<u>25,239,249</u>	<u>25,247,000</u>
NET CHANGE IN FUND BALANCES	-	2,000	-	2,000
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>

See accompanying Notes to Basic Financial Statements.

**HORIZON 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 - Total Governmental Funds \$ 2,000

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

The issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds record the effect of issuance costs, premiums, discounts, and similar items when debt is first issued as expenditures, 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 Issuance (25,247,000)

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.

Accrued Interest on Bonds Payable - Change in Liability (443,124)

Changes in Net Position of Governmental Activities \$ (25,688,124)

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

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 554	\$ 556	\$ 556	\$ -
Property Taxes - TIF	-	340,039	340,039	-
Specific Ownership Taxes	9,704	10,000	9,555	(445)
Other Income	1,500	9,405	-	(9,405)
Total Revenues	<u>11,758</u>	<u>360,000</u>	<u>350,150</u>	<u>(9,850)</u>
EXPENDITURES				
Current:				
County Treasurer's Fees	8	8	8	-
Transfers to other District	10,250	350,587	355,893	(5,306)
Contingency	1,500	9,405	-	9,405
Total Expenditures	<u>11,758</u>	<u>360,000</u>	<u>355,901</u>	<u>4,099</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(5,751)	(5,751)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from Other Funds	-	-	5,751	5,751
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,751</u>	<u>5,751</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE (DEFICITS) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

HORIZON METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Horizon Metropolitan District No. 2 (District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for Arapahoe County on December 29, 2005, to provide financing for the acquisition and installation of streets and traffic signals, water, sewer, storm drainage and park and recreation facilities. The District's service area is located entirely within the City of Aurora (the City), in Arapahoe County, Colorado. The District was organized in conjunction with other related districts, Horizon Metropolitan District Nos. 1, 3, 4, 5, 6, 7, 8, 9, and 10 (the Districts).

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.

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 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.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**HORIZON 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)

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. 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 after the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District 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 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 general obligation debt of the governmental funds.

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

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 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 has amended its annual budget for the year ended December 31, 2021.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Facilities Fees

Effective May 17, 2018, and as amended January 1, 2021, the District adopted a facilities fee resolution imposing facilities fees which are due and payable on or before the date of issuance of a building permit. The fee, at the District's discretion, may be used for costs associated with the payment of bonds, capital infrastructure or any other indebtedness of the District. The fees are \$1,200 per single family detached or attached residential unit, \$1,000 per multi-family residential unit and \$0.50 per gross square foot of interior space intended for non-residential use as defined. During 2021, the District did not collect any fees.

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.

HORIZON 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.

**HORIZON 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:

Investments - Restricted	\$ 2,000
Total Investments	<u>\$ 2,000</u>

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

Investments	\$ 2,000
Total Investments	<u>\$ 2,000</u>

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, 2021, the District had no cash deposits.

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.

**HORIZON 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
- . Certain international agency securities
- . 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 Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 2,000

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. treasury securities, repurchase agreements collateralized by U.S. treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**HORIZON 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 long-term obligations for the year ended December 31, 2021:

	Balance - December 31, 2020	Additions	Deletions	Balance - December 31, 2021	Current Portion
Governmental Activities					
Series 2021A ₍₃₎ General Obligation Bond	\$ -	\$ 25,247,000	\$ -	\$ 25,247,000	\$ -
Total Bonds Payable	-	25,247,000	-	25,247,000	\$ -
General Obligation					
Series 2021A ₍₃₎ General Obligation Bond -					
Accrued Interest	-	443,124	-	443,124	
Total Long Term Obligations	\$ -	\$ 25,690,124	\$ -	\$ 25,690,124	

The detail of the District's long-term obligation is as follows:

The District issued Bonds on August 11, 2021, in the par amount of \$25,247,000. Proceeds from the sale of the Bonds will be used to pay or reimburse Project Costs and pay the costs of issuing the Bonds.

The Bonds bear interest at the rate of 4.500% per annum and are payable annually on December 1, beginning December 1, 2021 from, and to the extent of, Pledged Revenue available, if any, and mature on December 1, 2051. The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Bonds compounds annually on each December 1.

If any amount of principal or interest on the Bonds remains unpaid after the application of all Pledged Revenue available on December 1, 2061, such unpaid amount will be deemed discharged on December 2, 2061 (the Termination Date).

The Bonds are secured by and payable solely from and to the extent of Pledged Revenue which means the money derived by the District from the following sources:

- (a) the Property Tax Revenues;
- (b) the Senior Capital Revenue;
- (c) the portion of the Specific Ownership Tax which is collected as a result of the District's imposition of the Required Mill Levy; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

HORIZON METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

“Property Tax Revenues” means the property taxes derived from imposition by the District of the Required Mill Levy, net of any fees and collection costs of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County, which revenues include (a) the Pass Through Tax Revenue (generally meaning that portion of the property tax revenue derived from imposition of the Required Mill Levy which is allocable to the District’s incremental assessed valuation in excess of its base assessed valuation) received from AURA pursuant to the Cooperation Agreement and (b) the property tax revenue allocable to the District’s base assessed valuation received directly from the County Treasurer.

Pursuant to the Indenture, the District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in the amount of 50.000 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2004) or such lesser mill levy which, when combined with the Horizon Metropolitan District No. 3 (District No. 3) Senior Tax Revenue, will pay all of the principal of, premium if any, and interest on the Bonds in full.

“District No. 3 Senior Tax Revenue” means, when calculating the Required Mill Levy for certification in any tax levy year, the property tax revenue expected to be received in the related tax collection year as a result of the imposition by District No. 3 of the District No. 3 Senior Required Mill Levy in that same tax levy year.

Pursuant to a Capital Pledge Agreement (the “Pledge Agreement”) between the District, District No. 3, and UMB Bank, n.a, (the “Trustee”), District No. 3 pledges Senior Capital Revenue to the Trustee on behalf of the District for the purpose of paying and securing the Bonds.

Senior Capital Revenue means the sum of the following:

- (a) the ad valorem property taxes derived from imposition of the District No. 3 Senior Required Mill Levy, net of any fees and collection costs of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County, which revenues include:
 - (i) the Senior Pass Through Tax Revenue received by or on behalf of District No. 3 from AURA pursuant to the Cooperation Agreement; and
 - (ii) the property tax revenue allocable to District No. 3’s base assessed valuation received directly from the County Treasurer; and
- (b) the Specific Ownership Tax revenue allocable to the District No. 3 Senior Required Mill Levy.

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

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

District No. 3 Senior Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of District No. 3 each year in the amount of 30.000 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after the date of issuance of the Bonds) or such lesser mill levy which, when combined with the Horizon Metropolitan District No. 2 (District No. 2) Senior Tax Revenue, will pay the principal of, premium if any, and interest on the Bonds in full. The maximum mill levy of 30.000 mills (as adjusted) is to be reduced by the number of mills necessary to pay unlimited mill levy debt (none of which is currently outstanding).

District No. 2 Senior Tax Revenue means, when calculating the District No. 3 Senior Required Mill Levy for certification in any tax levy year, the property tax revenue expected to be received in the related tax collection year as a result of the imposition by District No. 2 of the Required Mill Levy in that same tax levy year.

If the District Required Mill Levy or the District No. 3 Senior Required Mill Levy as calculated above is less than the maximum number of mills which can be imposed, such District shall compute its respective Required Mill Levy using the Senior Mill Levy Proportion. Senior Mill Levy Proportion means (a) 35% as to District No. 3 and (b) 65% as to District No. 2, being the respective proportions of the maximum District No. 3 Senior Required Mill Levy and the maximum Required Mill Levy (as adjusted) as of the date of issuance of the Bonds, each stated as a percentage, where the total of such two mill levies equals 100%.

The Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2026, and on any date thereafter, upon payment of the principal amount redeemed plus accrued interest to the date of redemption, plus a redemption premium equal to a percentage of the principal amount redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2026 to August 31, 2027	3.00%
September 1, 2027 to August 31, 2028	2.00
September 1, 2028 to August 31, 2029	1.00
September 1, 2029 and Thereafter	0.00

Events of Default

The Bonds contain a provision regarding certain events of default. Upon the occurrence of an Event of Default, the Lender shall be entitled to receivership, suit for judgement, mandamus or other suit. Events of default occur if the District fails or refused to impose the Required Mill Levy or to apply the Pledged revenue as required, defaults in the performance or observance of any of the covenants, agreements or conditions of the Indenture or Bond Resolution, or if the District files a petition for bankruptcy.

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

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On May 5, 2020, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$7,500,000,000. On December 31, 2021, the District had authorized but unissued indebtedness from these elections in the following amounts allocated for the following purposes:

	Authorized 5/5/2020 Election	Authorization Used Series 2021A ₍₃₎	Remaining at December 31, 2021
Streets	\$ 750,000,000	\$ 14,937,220	\$ 735,062,780
Sanitation	750,000,000	3,305,323	746,694,677
Water	750,000,000	2,160,099	747,839,901
Park and Recreation	750,000,000	4,844,358	745,155,642
Mosquito Control	750,000,000	-	750,000,000
Fire Protection	750,000,000	-	750,000,000
Public Transportation	750,000,000	-	750,000,000
TV Relay and Translation	750,000,000	-	750,000,000
Traffic Safety	750,000,000	-	750,000,000
Security	750,000,000	-	750,000,000
Total	<u>\$ 7,500,000,000</u>	<u>\$ 25,247,000</u>	<u>\$ 7,474,753,000</u>

NOTE 5 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:

	Governmental Activities
Restricted Net Position:	
Debt Service	<u>\$ 2,000</u>
Total	<u>\$ 2,000</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements.

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

NOTE 6 RELATED PARTY

The Developer of the property which constitutes the District is Lendlease Corporation (the Developer). All 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 7 AGREEMENTS

Facilities, Funding, Construction and Operation Agreement

Effective November 30, 2017 and as amended August 6, 2020, the District and Horizon Metropolitan District No. 1 (District No. 1) and District No. 3 entered into the Facilities Funding, Construction and Operation Agreement (FFCO). The FFCO establishes District No. 1's responsibility, as the operating district, for constructing, designing, financing, and operating the public improvements that benefit the District, District No. 1 and District No. 3, and establishes the District and District No. 3's obligation, as the taxing districts, to pay for the services and benefits of the public improvements received from District No. 1. The FFCO further provides that District No. 1 will own, operate, maintain, finance and construct certain public improvements and that the District and District No. 1 and District No. 3 will contribute to the costs of construction, operation, management and maintenance of the public improvements. District No. 1 will also provide for the operation, maintenance, and administrative services of the District and District No. 1 and District No. 3.

The Urban Renewal Plan

All of the property within the Districts is subject to the Horizon Uptown Urban Renewal Plan (Urban Renewal Plan). The Urban Renewal Plan specifies, for the purposes of the Urban Renewal Law, that the Horizon Uptown Urban Renewal Area encompasses all of Horizon Uptown (a larger mixed-use development that includes the Districts) (the Urban Renewal Area). Until the expiration of the tax increment financing (TIF) authorization on March 8, 2015, granted pursuant to the Urban Renewal Plan, all property taxes resulting from imposition of ad valorem property taxes on the assessed valuation of all taxable property in the Urban Renewal Area (which includes all of property within the boundaries of the Districts) in excess of the base assessed valuation (incremental assessed valuation) are payable to the Aurora Urban Renewal Authority (AURA) pursuant to the Urban Renewal Plan and the Urban Renewal Law.

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

NOTE 7 AGREEMENTS (CONTINUED)

The Urban Renewal Plan (Continued)

Pursuant to a Cooperation Agreement between AURA and Horizon Metropolitan Districts Nos. 1-6 (Cooperation Agreement), AURA and the Horizon Metropolitan Districts Nos. 1-6 agreed that, in consideration for the Horizon Metropolitan Districts Nos. 1-6 undertaking certain improvements and services within the Urban Renewal Area pursuant to the District Service Plan, the portion of revenues that AURA receives as a result of certain incremental in property taxes which are attributable to the Horizon Metropolitan Districts Nos. 1-6's current and future levy of ad valorem taxes on real and personal property within the area encompassed by the Urban Renewal Plan, (Tax Increment Revenues), shall be segregated upon receipt and shall be remitted by AURA to the applicable Horizon Metropolitan Districts Nos. 1-6.

Cooperation Agreement

Effective June 15, 2021, the District and Horizon Metropolitan Districts Nos. 1-6 entered into a Cooperation Agreement. Per the Cooperation Agreement, AURA agrees that any revenues, including any Tax Increment Revenues, which it receives as a result of the imposition of specific ownership tax on vehicles and would otherwise be payable to the Horizon Metropolitan Districts Nos. 1-6 shall, upon receipt by AURA, be segregated and paid to each respective Horizon District. Only the revenues received as a result of the District's imposition of the Required Mill Levy and the District No. 3 Senior Required Mill Levy and the specific ownership taxes collected as a result of such levies are pledged to the payment of the Bonds.

As a result, the Horizon Metropolitan Districts Nos. 1-6 will receive revenues generated from both the incremental assessed valuation and base assessed valuation within their respective boundaries, and the forecast does not distinguish between incremental assessed valuation and base assessed valuation.

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 (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 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.

HORIZON METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

On November 3, 2015, a majority of the District's electors authorized the District to collect and spend or retain in reserve taxes of \$1,000,000 annually without regard to any limitations imposed by TABOR for general operations and maintenance of the District.

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

NOTE 10 TRANSFERS

The District transferred funds from the Capital Projects Fund to the General Fund and the Debt Service Fund for the purpose of closing out the cost of issuance year end balance.

SUPPLEMENTARY INFORMATION

**HORIZON METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Developer Advance	\$ -	\$ 30,000,000	\$ -	\$ (30,000,000)
Total Revenues	-	30,000,000	-	(30,000,000)
EXPENDITURES				
Debt Service:				
Bond Issue Costs	-	758,520	-	758,520
Capital Outlay	-	30,000,000	-	30,000,000
Repay Developer Advance	-	27,241,480	-	27,241,480
Total Expenditures	-	58,000,000	-	58,000,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(28,000,000)	-	28,000,000
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	2,000	(2,000)
Bond Issuance	-	28,000,000	-	(28,000,000)
Total Other Financing Sources (Uses)	-	28,000,000	2,000	(28,002,000)
NET CHANGE IN FUND BALANCE	-	-	2,000	(2,000)
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ (2,000)</u>

**HORIZON METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Debt Service:				
Transfers to other District	-	24,382,030	24,382,030	-
Bond Issue Costs	-	864,970	857,219	7,751
Total Expenditures	-	25,247,000	25,239,249	7,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(25,247,000)	(25,239,249)	7,751
OTHER FINANCING SOURCES (USES)				
Transfers to other District	-	-	(7,751)	7,751
Bond Issuance	-	25,247,000	25,247,000	-
Total Other Financing Sources (Uses)	-	25,247,000	25,239,249	(7,751)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

OTHER INFORMATION

HORIZON METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2021

\$25,247,000

Series 2021A₍₃₎ Limited Tax Obligation Bonds

Interest Rate 4.50%

Dated August 11, 2021

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 1,151,737	\$ 1,151,737
2023	-	1,194,208	1,194,208
2024	-	1,231,386	1,231,386
2025	-	1,253,806	1,253,806
2026	-	1,261,081	1,261,081
2027	-	1,257,772	1,257,772
2028	-	1,252,783	1,252,783
2029	-	1,243,863	1,243,863
2030	-	1,234,542	1,234,542
2031	-	1,220,873	1,220,873
2032	-	1,206,589	1,206,589
2033	-	1,187,498	1,187,498
2034	-	1,167,548	1,167,548
2035	449,000	1,142,286	1,591,286
2036	717,000	1,115,910	1,832,910
2037	749,000	1,083,645	1,832,645
2038	893,000	1,049,940	1,942,940
2039	934,000	1,009,755	1,943,755
2040	1,092,000	967,725	2,059,725
2041	1,141,000	918,585	2,059,585
2042	1,317,000	867,240	2,184,240
2043	1,376,000	807,975	2,183,975
2044	1,569,000	746,055	2,315,055
2045	1,639,000	675,450	2,314,450
2046	1,853,000	601,695	2,454,695
2047	1,936,000	518,310	2,454,310
2048	2,170,000	431,190	2,601,190
2049	2,268,000	333,540	2,601,540
2050	2,527,000	231,480	2,758,480
2051	2,617,000	117,765	2,734,765
Total	<u>\$ 25,247,000</u>	<u>\$ 28,482,233</u>	<u>\$ 53,729,233</u>

CONTINUING DISCLOSURE OBLIGATION

**HORIZON METROPOLITAN DISTRICT NO. 2
CONTINUING DISCLOSURE OBLIGATION
DECEMBER 31, 2021**

**HISTORY OF DISTRICT'S AND DISTRICT NO. 3 MILL LEVY, ASSESSED VALUATION AND PROPERTY TAX COLLECTIONS
(UNAUDITED)**

Levy/ Collection Year	District No. 2								
	Mill Levies			Assessed Valuation		Property Tax Collections			
	General Fund Levy	Debt Service Levy	ARI Levy	Total Mill Levy	Assessed Valuation	Percent Change	Property Taxes Levied	Property Taxes Collections	Percent Collected
2018/2019	65.277	0.000	0.000	65.277	\$ 4,136		\$ 270	\$ 270	100.00%
2019/2020	65.664	0.000	0.000	65.664	22,838	452.20%	1,500	1,500	100.00
2020/2021	66.796	0.000	0.000	66.796	8,291	(63.70)	554	556	100.00
2021/2022	11.132	55.664	1.113	67.909	30,335	265.88			

Levy/ Collection Year	District No. 3								
	Mill Levies			Assessed Valuation		Property Tax Collections			
	General Fund Levy	Debt Service Levy	ARI Levy	Total Mill Levy	Assessed Valuation	Percent Change	Property Taxes Levied	Property Taxes Collections	Percent Collected
2018/2019	0.000	0.000	0.000	0.000	\$ 55		\$ -	\$ -	
2019/2020	0.000	0.000	0.000	0.000	1	-98.20%	-	-	
2020/2021	40.000	0.000	0.000	40.000	448	448.00	18	18	100.00%
2021/2022	11.132	30.000	1.113	42.245	1,303	190.85			