

**GOLD HILL MESA METRO DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**GOLD HILL MESA METRO DISTRICT NO. 2
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gold Hills Mesa Metropolitan District No. 2
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Gold Hills Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the changes in its financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 31, 2020

BASIC FINANCIAL STATEMENTS

**GOLD HILL MESA METRO DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities
ASSETS	
Cash and Investments - Unrestricted	\$ 50
Cash and Investments - Restricted	383,155
Receivable - County Treasurer	4,376
Accounts Receivable	3,000
Property Taxes Receivable	11,929
Total Assets	402,510
LIABILITIES	
Accounts Payable - Intergovernmental	1,300
Accrued Interest Payable	31,819
Noncurrent Liabilities:	
Due Within One Year	335,000
Due in More Than One Year	9,603,500
Total Liabilities	9,971,619
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	11,929
Total Deferred Inflows of Resources	11,929
NET POSITION	
Unrestricted	(9,581,038)
Total Net Position	\$ (9,581,038)

See accompanying Notes to Basic Financial Statements.

GOLD HILL MESA METRO DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Governmental Activities:					
General Government	\$ 126,856	\$ -	\$ -	\$ (126,856)	
Interest and Related Costs on Long-Term Debt	561,577	-	-	(520,077)	
Total Governmental Activities	\$ 688,433	\$ -	\$ -	\$ (646,933)	
GENERAL REVENUES					
				8,971	
				48,540	
				1,089,370	
				299	
				1,147,180	
CHANGE IN NET POSITION					
				\$ 500,247	
				\$ (10,081,285)	
NET POSITION - END OF YEAR					
				\$ (9,581,038)	

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METRO DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments - Unrestricted	\$ 50	\$ -	\$ 50
Cash and Investments - Restricted	-	383,155	383,155
Receivable from County Treasurer	1,250	3,126	4,376
Accounts Receivable	-	3,000	3,000
Property Taxes Receivable	2,982	8,947	11,929
Total Assets	\$ 4,282	\$ 398,228	\$ 402,510
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable - Intergovernmental	1,300	\$ -	\$ 1,300
Total Liabilities	1,300	-	1,300
 DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	2,982	8,947	11,929
Total Deferred Inflows of Resources	2,982	8,947	11,929
 FUND BALANCES			
Restricted for:			
Debt Service	-	389,281	389,281
Total Fund Balances	-	389,281	389,281
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,282	\$ 398,228	

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.

Loans and Bonds Payable	(9,488,000)
Unpaid Interest on Bonds	(450,500)
Accrued Interest on Loans and Bonds Payable	(31,819)
	(9,970,319)

Net Position of Governmental Activities	\$ (9,581,038)
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GOLD HILL MESA METRO DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 2,563	\$ 6,408	\$ 8,971
Specific Ownership Taxes	13,869	34,671	48,540
Facility Fees	-	41,500	41,500
Urban Renewal TIF	-	1,089,370	1,089,370
Net Investment Income	-	299	299
Total Revenues	16,432	1,172,248	1,188,680
EXPENDITURES			
Current:			
County Treasurer's Fees	38	96	134
Banking Fees	-	111	111
Intergovernmental Expenditure	16,395	110,312	126,707
Debt Service:			
Loan Principal	-	300,000	300,000
Bond Principal	-	35,000	35,000
Loan Interest Expense	-	375,135	375,135
Bond Interest Expense	-	175,455	175,455
Paying Agent Fee	-	5,200	5,200
Total Expenditures	16,433	1,001,309	1,017,742
NET CHANGE IN FUND BALANCES	(1)	170,939	170,938
Fund Balances - Beginning of Year	1	218,342	218,343
FUND BALANCES - END OF YEAR	\$ -	\$ 389,281	\$ 389,281

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METRO 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, 2019**

Net Change in Fund Balances - Governmental Funds \$ 170,938

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:

Principal Payment	335,000
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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 Loans and Bonds - Change in Liability	16,154
Unpaid Interest on 2011 D Bonds	(16,557)
Unpaid Interest - Series 2011C Bonds	(5,288)
	(5,288)

Changes in Net Position of Governmental Activities	\$ 500,247
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**GOLD HILL MESA METRO DISTRICT NO. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 2,559	\$ 2,563	\$ 4
Specific Ownership Taxes	13,746	13,869	123
Other Income	1,000	-	(1,000)
Total Revenues	<u>17,305</u>	<u>16,432</u>	<u>(873)</u>
EXPENDITURES			
Intergovernmental Expenditure	16,067	16,395	(328)
County Treasurer's Fees	38	38	-
Miscellaneous	200	-	200
Contingency	1,000	-	1,000
Total Expenditures	<u>17,305</u>	<u>16,433</u>	<u>872</u>
NET CHANGE IN FUND BALANCE	-	(1)	(1)
Fund Balance - Beginning of Year	<u>-</u>	<u>1</u>	<u>1</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

Gold Hill Mesa Metro District No. 2 (the District or District No. 2), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs (the City), El Paso County, Colorado, on November 9, 2004, and is governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). The preliminary Consolidated Service Plan, approved by the City of Colorado Springs on September 14, 2004, formed the Gold Hill Mesa Metropolitan District Nos. 1-3 (the Districts) as 'shell districts' which could not operate until an amended service plan was approved. The Amended Consolidated Service Plan was approved by the City on July 11, 2006. The Districts' service area is located entirely within the City. The District was organized in conjunction with two other related districts, Gold Hill Mesa Metropolitan District No. 1 (District No. 1), the Operating District, and Gold Hill Mesa Metropolitan District No. 3 (District No. 3), the Commercial and Financing District. District No. 1 will own (subject to dedication of improvements to the City), operate, maintain and construct facilities benefiting all three Districts, and District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The District was established to provide the following services: parks and recreation, sanitary sewer, storm drainage, streets, traffic and safety protection, water, mosquito control, and television relay and transportation systems.

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.

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.

GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes 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 debt of the governmental funds.

GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law of Colorado, 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 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.

Pooled Cash and Investments

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

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.

GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

**GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 50
Cash and investments - restricted	383,155
Total Cash and Investments	\$ 383,205

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 15,025
Investments	368,180
Total Cash and Investments	\$ 383,205

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, 2019, the District's cash deposits had a bank and a carrying balance of \$15,025.

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.

**GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series), money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at amortized cost), and COLOTRUST (which are recorded at net asset value).

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
U.S. Treasury Money Market Fund	Weighted Average under 90 Days	<u>\$ 368,180</u>

U.S. Treasury Money Market Fund

The debt service money that is included in the trust accounts at United Missouri Bank (successor of American National Bank) is invested in the SEI Daily Income Treasury Portfolio. This portfolio is a money market fund that is managed by SEI Investments and each share is equal in value to \$1.00. The fund is AAA rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The average maturity of the underlying securities is 90 days or less.

**GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019:

	Balance December 31, 2018	Additions	Retirements	Balance December 31, 2019	Due Within One Year
Bonds Payable					
Series 2011C Subordinate Convertible					
Capital Appreciation Bonds	\$ 2,075,000	\$ -	\$ 35,000	\$ 2,040,000	\$ 35,000
Series 2011C Subordinate Bonds -					
Unpaid Interest	12,594	192,038	186,750	17,882	-
Series 2011D Subordinate Bonds	1,983,000	-	-	1,983,000	-
Series 2011D Subordinate Bonds -					
Unpaid Interest	433,943	204,942	188,385	450,500	-
Bonds Payable Subtotal	4,504,537	396,980	410,135	4,491,382	35,000
Loans/Notes from Direct					
Borrowings/Direct Placements					
Series 2015 Refunding and Improvement					
Loan	5,765,000	-	300,000	5,465,000	300,000
Loans/Notes Payable Subtotal	5,765,000	-	300,000	5,465,000	300,000
Total Long Term Obligations	<u>\$ 10,269,537</u>	<u>\$ 396,980</u>	<u>\$ 710,135</u>	<u>\$ 9,956,382</u>	<u>\$ 335,000</u>

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

\$2,160,000 Subordinate Convertible Capital Appreciation Bonds, Series 2011C

On September 16, 2011, the District issued \$1,497,938 (original issue amount) Subordinate Convertible Capital Appreciation Bonds, with a value of \$2,160,000 at conversion date, for public improvements. The Bonds bear no interest through December 15, 2016, and then bear interest at a rate of 9.0% through maturity on December 15, 2040. Bond interest and principal is payable annually on December 15. During 2019, the District did not have sufficient funds to make the principal and interest payment in full. The unpaid interest will compound on each payment date at a rate of 9.0%.

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 15, 2015, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

\$3,157,000 Second Subordinate Tax-Supported Revenue Bonds, Series 2011D

On September 16, 2011, the District issued a \$3,157,000 in Subordinate Tax-Supported Revenue Bonds for public improvements. The Bonds bear interest at a rate of 9.50% with a stated maturity of December 15, 2040. Bond interest and principal are payable annually on December 15, with principal payments commencing in 2022. These bonds are anticipated to be repaid in full on December 15, 2026. During 2018, the District did not have sufficient funds to make the interest payment in full. The unpaid interest will compound on each payment date at a rate of 9.5%. The Series D Bonds are payable only from excess pledged revenue available after payment of the Senior Loans.

The Bonds are secured by and payable from the Pledged Revenue, consisting of monies derived by the District from: 1) all amounts due and owing to the District under the Tax Sharing IGA; 2) the Base AV tax revenue; 3) all amounts derived by the District after the conclusion of the Tax Sharing IGA from the imposition of the Required Mill Levy, less costs of collection; 4) all specific ownership taxes remitted to the District pursuant to Section 42-3-1207, C.R.S., or any successor statute, allocable to the amount of the Required Mill Levy, net of any costs of collection; 5) Capital Fees; and 6) any other legally available monies which the District determines, in its sole discretion, to transfer to the Custodian or the Bank for application as Pledged Revenue. The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The Required Mill Levy is limited to a minimum of 25.000 mills and a maximum of 30.000 mills, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2019, the adjusted maximum mill levy is 30.000.

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on any date, upon payment of par and accrued interest, without redemption premium.

\$6,360,000 Tax-Free Refunding and Improvement Loan Agreement, Series 2015

On December 16, 2015, the District entered into the \$6,360,000 in Tax-Free Refunding and Improvement Loan Agreement to fully refund the Series 2011 A Loan, the Series 2011 B Loan, and a portion of the outstanding Series 2011 D Bonds, in order to reduce overall interest costs and to reimburse costs for facilities to the Developer. The Loan bears interest at 3.01%. Loan interest payments are due each June 1 and December 1, and loan principal payments are due annually on December 1. The Loan matures on December 16, 2022. On or after December 16, 2020, at the option of the District, the Loan is callable without a premium. The Loan carries a reserve fund requirement of \$190,800 which was funded at the time of issuance.

**GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**\$6,360,000 Tax-Free Refunding and Improvement Loan Agreement, Series 2015
(CONTINUED)**

The Loan is secured by and payable from the Pledged Revenue, consisting of monies derived by the District from: 1) all amounts due and owing to the District under the Tax Sharing IGA; 2) the Base AV tax revenue; 3) all amounts derived by the District after the conclusion of the Tax Sharing IGA from the imposition of the Required Mill Levy, less costs of collection; 4) all specific ownership taxes remitted to the District pursuant to Section 42-3-1207, C.R.S., or any successor statute, allocable to the amount of the Required Mill Levy, net of any costs of collection; and 5) any other legally available monies which the District determines, in its sole discretion, to transfer to the Custodian or the Bank for application as Pledged Revenue.

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>
2020	\$ 335,000	\$ 899,781	\$ 1,234,781
2021	350,000	526,459	876,459
2022	4,900,000	519,089	5,419,089
2023	45,000	361,185	406,185
2024	827,686	357,135	1,184,821
2025-2029	1,535,314	910,850	2,446,164
2030-2034	510,000	588,600	1,098,600
2035-2039	785,000	314,100	1,099,100
2040	200,000	18,000	218,000
Total	<u>\$ 9,488,000</u>	<u>\$ 4,495,199</u>	<u>\$ 13,983,199</u>

**GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 2, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$56,000,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 18% and \$57,000,000 for refunding the District's debt or other obligations. At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Authorization Used for Series 2011 Loans/Bonds	Authorization Used for Series 2015 Loan	Authorized But Unissued
Streets	\$ 30,000,000	\$ 4,592,704	\$ 133,668	\$ 25,273,628
Water	5,000,000	606,748	217,727	4,175,525
Sanitary Sewer	10,000,000	4,477,548	198,109	5,324,343
Parks and Recreation	8,000,000	-	-	8,000,000
Traffic and Safety Protection	1,000,000	-	-	1,000,000
Television Relay and Translation	1,000,000	-	-	1,000,000
Mosquito Control	500,000	-	-	500,000
Transportation System	500,000	-	-	500,000
Debt Refunding	57,000,000	-	5,810,496	51,189,504
Total	<u>\$ 113,000,000</u>	<u>\$ 9,677,000</u>	<u>\$ 6,360,000</u>	<u>\$ 96,963,000</u>

Pursuant to the Amended Consolidated Service Plans as amended on April 23, 2006, the District can issue bond indebtedness of up to \$57,000,000. In addition, the maximum debt service mill levy for the District is 30.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements.

NOTE 5 NET POSITION

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

The District has a deficit in unrestricted net position. This deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were transferred to Gold Hill Mesa Metropolitan District No. 1 (the Operating District) and other governmental entities.

GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 RELATED PARTY

The Developers of the property which constitutes the District are Gold Hill Mesa Township LLC, Gold Hill Mesa Partners LLC, and Gold Hill Neighborhood LLC. The members of the Board of Directors are officers, employees or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 7 INTERGOVERNMENTAL AGREEMENTS

On May 31, 2006 and November 30, 2006, the District entered into an Intergovernmental Agreement (IGA) with Gold Hill Mesa Metropolitan District No. 1 (Operating District) and Gold Hill Mesa Metropolitan District No. 3 (Financing District), respectively. The IGA provides that the Operating District is to operate, maintain, finance and construct facilities benefitting the three Districts, and that District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The Districts have agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. On September 16, 2011, District No. 2 issued Loans and bonds and transferred the proceeds to District No. 1. District No. 1 used those proceeds to repay the Developer for capital construction paid directly by the Developer as part of the Restated Reimbursement Agreement entered into as part of District No. 2's 2011 Loan and Bond Issue.

On January 20, 2011, the District entered into an Intergovernmental Tax Sharing Agreement with the Colorado Springs Urban Renewal Authority (the Authority). The IGA provides a tax sharing agreement for a period of 25 years on taxes levied by the District beginning on May 25, 2004. Under the agreement, all property tax revenues generated by the assessed valuation in excess of the base assessed valuation as of May 25, 2004, will be paid to the Authority for the purposes of paying debt incurred during the development of the urban renewal project. The gross tax revenues generated by this agreement will be deposited by the Authority into a Pledged Tax Revenue Fund. The tax revenue will remain in that fund until the District requests payment from that fund for the purposes of making an interest or principal payment on the District's outstanding bonds. During the year ended December 31, 2019, the District received \$1,089,370 in TIF revenue from the Authority as part of the Agreement.

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) as of December 31, 2019. The Pool is an organization created by an 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 the past three fiscal years.

GOLD HILL MESA METRO DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 RISK MANAGEMENT (CONTINUED)

The District 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 need 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, 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. The District transfers its net operating revenue to Gold Hill Mesa Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to the District's revenue are reported in Gold Hill Mesa Metropolitan District No. 1.

On November 2, 2004, the District voters passed an election question allowing the District to increase property taxes up to \$1,000,000 annually, without limitation of rate, and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-2-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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

**GOLD HILL MESA METRO DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 6,398	\$ 6,408	\$ 10
Specific Ownership Taxes	34,365	34,671	306
Facility Fees	42,000	41,500	(500)
Urban Renewal TIF	1,033,722	1,089,370	55,648
Net Investment Income	100	299	199
Total Revenues	<u>1,116,585</u>	<u>1,172,248</u>	<u>55,663</u>
EXPENDITURES			
County Treasurer's Fees	96	96	-
Bond Principal	35,000	35,000	-
Loan Principal	300,000	300,000	-
Bond Interest - Series 2011C	186,750	186,750	-
Bond Interest - Series 2011D	300,490	188,385	112,105
Loan Interest	175,937	175,455	482
Paying Agent Fee	8,000	5,200	2,800
Intergovernmental Expenditure	110,312	110,312	-
Banking Fees	-	111	(111)
Total Expenditures	<u>1,116,585</u>	<u>1,001,309</u>	<u>115,276</u>
NET CHANGE IN FUND BALANCE	-	170,939	170,939
Fund Balance - Beginning of Year	<u>190,800</u>	<u>218,342</u>	<u>27,542</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 190,800</u></u>	<u><u>\$ 389,281</u></u>	<u><u>\$ 198,481</u></u>

OTHER INFORMATION

GOLD HILL MESA METRO DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2011C
DECEMBER 31, 2019

\$2,160,000 Series 2011C Subordinate Convertible
Capital Appreciation Bonds
Dated September 16, 2011
Interest Rate 9.00%
Interest and Principal Due December 15
Commencing in 2016

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,000	\$ 196,895	\$ 231,895
2021	40,000	180,450	220,450
2022	45,000	176,850	221,850
2023	45,000	172,800	217,800
2024	50,000	168,750	218,750
2025	55,000	164,250	219,250
2026	60,000	159,300	219,300
2027	65,000	153,900	218,900
2028	70,000	148,050	218,050
2029	80,000	141,750	221,750
2030	85,000	134,550	219,550
2031	95,000	126,900	221,900
2032	100,000	118,350	218,350
2033	110,000	109,350	219,350
2034	120,000	99,450	219,450
2035	130,000	88,650	218,650
2036	145,000	76,950	221,950
2037	155,000	63,900	218,900
2038	170,000	49,950	219,950
2039	185,000	34,650	219,650
2040	200,000	18,000	218,000
	<u>\$ 2,040,000</u>	<u>\$ 2,583,695</u>	<u>\$ 4,623,695</u>

(Note: The District did not have sufficient funds to completely pay the unpaid interest and principal amounts carried over from 2017. Unpaid principal and interest amounts have been added to the principal and interest amounts in 2020.)

GOLD HILL MESA METRO DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2011D
DECEMBER 31, 2019

\$3,157,000 Series 2011D Subordinate Bonds Dated September 16, 2011 Interest Rate 9.50%			
Interest and Principal Due December 15			
Year Ending December 31,	Principal	Interest	Total
2020	\$ -	\$ 535,648	\$ 535,648
2021	-	188,385	188,385
2022	-	188,385	188,385
2023	-	188,385	188,385
2024	777,686	188,385	966,071
2025	899,051	114,505	1,013,556
2026	306,263	29,095	335,358
	\$ 1,983,000	\$ 1,432,788	\$ 3,415,788

(Note: The stated maturity of the Series 2011D Bonds is December 15, 2040. These bonds are anticipated to be repaid in full on December 15, 2026 as presented in the above schedule. The District did not have sufficient funds to pay accrued interest carried over from 2017. Unpaid interest amounts have been added to the interest amounts in 2020.)

GOLD HILL MESA METRO DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2015
DECEMBER 31, 2019

\$6,360,000 Series 2015 Refunding & Improvement Loan
Dated December 16, 2015
3.010% Through December 16, 2022
Interest Payable June 1 and December 1
Principal Due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 300,000	\$ 167,238	\$ 467,238
2021	310,000	157,624	467,624
2022	4,855,000	153,854	5,008,854
	<u>\$ 5,465,000</u>	<u>\$ 478,716</u>	<u>\$ 5,943,716</u>

**GOLD HILL MESA METRO DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2019**

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	
2015	\$ 207,010	10.000	25.000	\$ 7,245	\$ 7,245	100.00%
2016	222,000	10.000	25.000	7,770	7,769	99.99
2017	222,000	10.000	25.000	7,770	7,766	99.95
2018	232,420	10.899	27.247	8,866	8,865	99.99
2019	234,810	10.899	27.247	8,957	8,971	100.16
Estimated for the year ending December 31, 2020	\$ 270,890	11.009	33.027	\$ 11,929		

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.