

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**Eagle County, Colorado**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Buckhorn Valley Metropolitan District No. 2  
Eagle County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Buckhorn Valley Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2018, 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 Buckhorn Valley Metropolitan District No. 2, as of December 31, 2018, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Fiscal Focus Partners, LLC**

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information and other information (the information) as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
July 26, 2019

## **BASIC FINANCIAL STATEMENTS**

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments - Restricted	\$ 2,041
Receivable - County Treasurer	2,662
Property Taxes Receivable	586,219
Total Assets	590,922
<b>LIABILITIES</b>	
Noncurrent Liabilities:	
Due in One Year	623,000
Due in More than One Year	22,442,374
Total Liabilities	23,065,374
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Property Tax Revenue	586,219
Total Deferred Inflows of Resources	586,219
<b>NET POSITION</b>	
Restricted for:	
Debt Service	300,000
Unrestricted	(23,360,671)
Total Net Position	\$ (23,060,671)

See accompanying Notes to Basic Financial Statements.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
General Government	\$ 1,923	\$ -	\$ -	\$ -	
Intergovernmental Agreement	90,523	-	-	-	
Interest and Fees on Long-Term Debt	1,257,659	-	-	-	
Total Primary Government	\$ 1,350,105	\$ -	\$ -	\$ -	
 <b>GENERAL REVENUES</b>					
Property Taxes				540,608	
Specific Ownership Taxes				27,476	
Net Investment Income				324	
Total General Revenues				568,408	
 <b>CHANGE IN NET POSITION</b>					
				(781,697)	
Net Position - Beginning of Year				(22,278,974)	
 <b>NET POSITION - END OF YEAR</b>				 <b>\$ (23,060,671)</b>	

See accompanying Notes to Basic Financial Statements.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments - Restricted	\$ -	\$ 2,041	\$ 2,041
Receivable - County Treasurer	-	2,662	2,662
Property Taxes Receivable	65,136	521,083	586,219
Total Assets	\$ 65,136	\$ 525,786	\$ 590,922
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Total Liabilities	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Tax Revenue	65,136	521,083	586,219
Total Deferred Inflows of Resources	65,136	521,083	586,219
<b>FUND BALANCES</b>			
Restricted:			
Debt Service	-	4,703	4,703
Total Fund Balances	-	4,703	4,703
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 65,136	\$ 525,786	

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

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds:

Bonds Payable	(14,746,836)
Capital Obligation to Buckhorn Valley MD No. 1	(3,210,466)
Accrued Bond Interest	(5,108,072)

Net Position of Governmental Activities

\$ (23,060,671)

See accompanying Notes to Basic Financial Statements.



**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ 60,069	\$ 480,539	\$ 540,608
Specific Ownership Taxes	-	27,476	27,476
Net Investment Income	18	306	324
Total Revenues	<u>60,087</u>	<u>508,321</u>	<u>568,408</u>
<b>EXPENDITURES</b>			
Current:			
Banking Fees	-	120	120
County Treasurer Fees	1,803	14,420	16,223
Service Obligation to Buckhorn Valley Metropolitan District No. 1	58,284	-	58,284
Debt Service:			
Bond Interest - 2003 Bonds	-	98,105	98,105
Bond Interest - 2010 Bonds	-	393,895	393,895
Paying Agent/Trustee Fees	-	650	650
Total Expenditures	<u>60,087</u>	<u>507,190</u>	<u>567,277</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	1,131	1,131
Fund Balances - Beginning of Year	<u>-</u>	<u>3,572</u>	<u>3,572</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,703</u></u>	<u><u>\$ 4,703</u></u>

See accompanying Notes to Basic Financial Statements.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	1,131
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Amounts reported for governmental activities in the statement of activities are different because:

Construction of fixed assets and performance of services by Buckhorn Valley Metropolitan District No. 1 creates a liability of the District. This liability is decreased both by cash payments made by the District and through revenues earned from other sources by Buckhorn Valley Metropolitan District No. 1. This is the current year change in Capital and Service Obligations due to Buckhorn Valley Metropolitan District No. 1.		(32,239)
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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 Bonds - Change in Liability		<u>(750,589)</u>
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Changes in Net Position of Governmental Activities	\$	<u><u>(781,697)</u></u>
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**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 60,143	\$ 60,069	\$ (74)
Net Investment Income	-	18	18
Other Income	1,000	-	(1,000)
Total Revenues	<u>61,143</u>	<u>60,087</u>	<u>(1,056)</u>
<b>EXPENDITURES</b>			
County Treasurer Fees	1,800	1,803	(3)
Service Obligation to Buckhorn Valley Metropolitan District No. 1	58,343	58,284	59
Contingency	1,000	-	1,000
Total Expenditures	<u>61,143</u>	<u>60,087</u>	<u>1,056</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Buckhorn Valley Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for Eagle County on May 15, 2000, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was created in conjunction with Buckhorn Valley Metropolitan District No. 1 (District No. 1). The Districts were organized pursuant to a consolidated service plan approved by the Town Council of Gypsum on January 11, 2000, as amended and restated by the 2009 Consolidated Service Plan for Buckhorn Valley Metropolitan District Nos. 1 and 2, dated July 14, 2009, to provide street, drainage, traffic and safety control, transportation, water, sanitary sewage, television relay and translator, mosquito and pest control, and park and recreation improvements and facilities within and without the Districts. The District's service area is located in Eagle County, near the Town of Gypsum, Colorado.

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, including District No. 1.

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 inter-governmental 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.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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 government 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. 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 the payments made for principal and interest on long-term debt of the governmental funds.

**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.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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.

**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.

**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.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

**Equity (Continued)**

**Fund Balance**

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

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

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

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 2,041
Total Cash and Investments	<u>\$ 2,041</u>

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	<u>\$ 2,041</u>
Total Cash and Investments	<u><u>\$ 2,041</u></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, 2018, the District's cash deposits had a bank balance and a carrying balance of \$2,041.

**Investments**

The District practices an investment policy to invest public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conforms to all federal, state, and local statutes governing the investment of public funds.

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.



**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 any state, the United States, the District of Columbia, any U.S. territorial possession, or any political subdivision or agency of any such government entity
- . 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, 2018, the District had no investments.

**NOTE 4 GENERAL OBLIGATION BONDS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Deletions	Balance - December 31, 2018	Amounts Due Within One Year
Series 2003 G.O. Limited Tax Bonds	\$ 2,055,000	\$ -	\$ -	\$ 2,055,000	\$ -
Accrued Unpaid Interest on Series 2003 Bonds	490,769	178,333	98,105	570,997	-
Series 2008 Subordinate G.O. Limited Tax Bonds	5,448,836	-	-	5,448,836	-
Accrued Interest on Subordinate Bonds	2,209,135	326,930	-	2,536,065	-
Series 2010 G.O. Limited Tax Refunding and Improvement Bonds	7,243,000	-	-	7,243,000	623,000
Accrued Unpaid Interest on Series 2010 Bonds	1,657,579	737,326	393,895	2,001,010	-
Total	<u>\$ 19,104,319</u>	<u>\$ 1,242,589</u>	<u>\$ 492,000</u>	<u>\$ 19,854,908</u>	<u>\$ 623,000</u>

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 GENERAL OBLIGATION BONDS (CONTINUED)**

**Limited Tax General Obligation Bonds, Series 2003**

The District issued \$2,500,000 of general obligation bonds dated March 1, 2003, with interest of 7% payable on June 1 and December 1, to partially reimburse Buckhorn Valley Metro District No. 1 for costs related to the construction of infrastructure within the District. The principal on the bonds is payable on December 1 and matures in various increments from 2020 through 2023. The bonds were subject to mandatory redemption to the extent of monies still held by the trustee on September 1, 2007, and \$440,000 was repaid in 2007 as required by the bond documents. Bonds maturing on and after December 1, 2013, are subject to optional redemption at the District's option without redemption premium upon payment of principal plus accrued interest to the redemption date. The bonds are limited tax general obligations of the District, payable from ad valorem taxes to be imposed, at a total rate not to exceed 40 mills, adjusted for any changes in law and the assessment ratio.

**Limited Tax Refunding and Improvement Bonds, Series 2010**

The District issued \$7,370,000 of general obligation bonds on May 25, 2010, with interest of 7.25% to 8.50% payable on June 1 and December 1. The bonds are limited tax general obligations of the District issued on a parity basis with the Series 2003 bonds. The Series 2010 bonds are secured by and payable from Pledged Revenue consisting of: (a) the Required Mill Levy; (b) the Specific Ownership Tax derived from the Required Mill Levy; (c) and any other legally available money which the District credits to the bond fund. The Series 2010 bonds are also secured by the 2010 Reserve Fund in the Reserve Requirement Amount of \$300,000. The Required Mill Levy is an ad valorem mill levy upon all taxable property of the District in an amount sufficient to pay the principal of, premium if any, and interest on the Series 2010 and Series 2003 bonds as the same become due and payable and to replenish the 2010 Reserve Fund to the Reserve Requirement, but not in excess of 40 mills (subject to adjustment for changes occurring after January 11, 2000, in the method of calculating assessed valuation, which, as currently adjusted, is 48.945 mills), and for so long as (i) the Surplus Account is less than the Maximum Surplus Amount of \$500,000 or (ii) the Series 2008 Subordinate Bonds are outstanding, not less than 40 mills (subject to adjustment for changes in the method of calculating assessed valuation as detailed above).

Proceeds from the sale of the Series 2010 bonds were used for: (a) paying or reimbursing a portion of the costs of acquiring, constructing, relocating, and installing certain public improvements and facilities; (b) refunding a portion of the District's outstanding Series 2008 subordinate bonds and refunding the Original Developer Note; (c) funding the 2010 Reserve Fund and; (d) paying the costs of issuance of the Series 2010 bonds.

The Reserve Requirement Amount of \$300,000 is a restricted amount for debt service. However, during 2013, the Reserve Requirement Amount was used to pay debt service on the Series 2010 bonds and has not been replenished. The balance at December 31, 2018, was \$-0-.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 4 GENERAL OBLIGATION BONDS (CONTINUED)**

**Material Event Notices**

For the past five years and in the future, pledged revenue of the District has not and will not be sufficient to pay when due the debt service requirements with respect to the Series 2003 and Series 2010 bonds. Failure to pay principal and/or interest when due on the bonds will result in a "Payment Default," for which the District must provide certain financial information to all owners of the bonds, which is the sole and exclusive remedy for a Payment Default.

Pledged revenue will not be sufficient due to the fact that: 1) not all property has been developed within the boundaries of the District as anticipated; and 2) the assessed value of property located within the boundaries of the District has been reduced 72.7% between 2011 and 2015 due to the downturn of the economy, resulting in the collection of levied property taxes that are insufficient to completely account for the debt service payment due and owing on the Bonds. The District is certifying the maximum mill levy available to it for debt service purposes at 54.111 mills, which is insufficient to meet debt service requirements for the Bonds.

Material Event Notices were posted on the Electronic Municipal Market Access (EMMA) website for the following debt service payment dates:

Series 2010 Bonds:	12/1/2013	Series 2003 Bonds:	6/1/2014
	6/1/2014		12/1/2014
	12/1/2014		6/1/2015
	6/1/2015		12/1/2015
	12/1/2015		6/1/2016
	6/1/2016		12/1/2016
	12/1/2016		6/1/2017
	6/1/2017		12/1/2017
	12/1/2017		6/1/2018
	6/1/2018		12/1/2018
	12/1/2018		

**Subordinate Limited Tax General Obligation Bonds, Series 2008**

The District issued \$8,500,000 of subordinate general obligation bonds dated February 13, 2008, with simple interest of 6% payable annually on December 15 until the principal amount and interest due thereon is paid at maturity or upon prior redemption, to partially reimburse Buckhorn Valley Metro District No. 1 for costs related to the construction of infrastructure within the District. The Series 2008 bonds, together with interest thereon, shall be payable solely from and to the extent of the Subordinate Pledged Revenue. The Bonds shall constitute an irrevocable lien upon the Subordinate Pledged Revenue, *subordinate* to the lien of any Senior Bonds. The Subordinate Pledged Revenue means: (a) all Ad Valorem Revenues payable to the District and; (b) any other legally available amounts. To the extent that pledged revenues are insufficient to make the interest payments due, such shortfall will continue to accrue to future years. As of December 31, 2018, the balance of accrued but unpaid interest on the Series 2008 bonds is \$2,536,065.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 GENERAL OBLIGATION BONDS (CONTINUED)**

Since December 1, 2013, the District has not had sufficient pledged revenue to pay its current bond obligations and, at this time, it does not anticipate being able to make its scheduled debt service payments in the near future. The amount of partial interest payments on the District's Series 2003 and Series 2010 Bonds is dependent upon the annual assessed valuation of the District. Therefore, no debt service requirements to maturity table has been provided.

**Authorized Debt**

On May 2, 2000, the District's electors authorized the issuance of general obligation indebtedness totaling \$63,105,000 at an interest rate not to exceed 18% for a maximum term of 20 years. On November 7, 2000, the District's electors authorized an additional \$67,605,000 of general obligation indebtedness at an interest rate not to exceed 18%, for a maximum term of 40 years. At December 31, 2018, the District has authorized but unissued indebtedness for the following purposes:

	<u>Total Authorized</u>	<u>Authorization Used</u>			<u>Remaining at December 31, 2018</u>
	May 2, 2000 and November 7, 2000 Elections	Series 2003 Bonds	Series 2008 Bonds	Series 2010 Bonds	
	\$		\$	\$	
Streets	6,000,000	1,000,000	2,761,387	1,583,900	654,713
Traffic and Safety	2,000,000	-	22,638	-	1,977,362
Water	15,960,000	1,125,000	3,443,301	943,600	10,448,099
Sanitation	6,650,000	375,000	1,156,211	640,500	4,478,289
Parks and Recreation	7,980,000	-	570,895	202,000	7,207,105
Television Relay	1,000,000	-	41,793	-	958,207
Mosquito Control	500,000	-	-	-	500,000
Operations and Maintenance	5,500,000	-	503,775	-	4,996,225
Refunding	42,560,000	-	-	4,000,000	38,560,000
Intergovernmental Agreements	42,560,000	-	-	-	42,560,000
Total	<u>\$ 130,710,000</u>	<u>\$ 2,500,000</u>	<u>\$ 8,500,000</u>	<u>\$ 7,370,000</u>	<u>\$ 112,340,000</u>

Pursuant to the District's amended Service Plan, the District is permitted to issue general obligation debt of up to \$26,000,000, with a 40 mill debt service levy limit, subject to adjustment for changes in the method of calculating the assessment of property for taxation purposes. Contractual general obligation debt represented by the Master Intergovernmental Agreement (IGA) between the District and District No. 1 shall not count against the bonded general obligation debt limitation.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5 AGREEMENTS**

**District Facilities Construction and Service Agreement**

The First Amended and Restated District Facilities Construction and Service Agreement dated March 3, 2003, generally provides that Buckhorn Valley Metropolitan District No. 2 (the Taxing District) will pay to Buckhorn Valley Metropolitan District No. 1 (the Operating District) over a period of years the costs of: 1) the construction, acquisition, and equipping of certain public facilities and services (the Facilities) and; 2) the operation and maintenance of the Facilities. The Agreement states that the obligation required thereunder is a general obligation debt of the Taxing District subject to certain limitations and, as such, the question of whether the Taxing District should enter into and perform the Agreement was submitted at an election held on May 2, 2000, and was approved by the District electorate.

Under the Agreement, the Taxing District covenants to levy the taxes necessary, together with other available funds, to meet the payment obligations set forth in the Agreement. In return for the payment of the monies required to be paid under the Agreement, the Operating District agrees to: 1) acquire, construct and equip the Facilities; 2) thereafter provide for their operation and maintenance and; 3) utilize the Facilities, provide or have others provide to the property within, and the inhabitants of both Districts, all related services (the Services), including but not limited to water and sanitation services, street maintenance, television services, parks and recreation services and mosquito control services, as well as certain administrative services.

As set forth in the Agreement, though the total obligation of the Taxing District represented by the Agreement will be treated for financial disclosure purposes as a \$48,060,000 debt obligation, the actual obligations to provide for the construction, acquisition and equipping of the Facilities and for the provision of the Services, are classified as two separate obligations and each is contingent and limited to the extent that the Taxing District is able to meet its obligations through certain limited means. In the case of the Facilities, except as provided below, in any given year the Taxing District is obligated to fund its construction and acquisition only to the extent it would be capable of funding it through the issuance of general obligation debt in an aggregate principal amount not to exceed the greater of \$2 million or 50% of the assessed value of the taxable property within the boundaries of the Taxing District as they may, from time to time, be enlarged. Such general obligation debt limitation is subject to automatic increase if applicable Colorado law increases the amount by which such debt may be issued. The Taxing District has the option in any year to pay for the construction, acquisition, and equipping costs of the Facilities on an annual basis pursuant to the provisions of and the schedule set forth in the Agreement.

Similarly, in the case of the Services, in any given year the Taxing District is obligated to fund its costs only to the extent it is capable of funding through tax revenues resulting from the certification by the Taxing District against the assessed value of the taxable property lying within its boundaries, as such boundaries may from time to time be enlarged.

To the extent that in any year the Taxing District does not fund its obligations under the Agreement, the amounts not funded are carried forward as obligations in future years under the Agreement. In addition, the Operating District may supplement the revenues from the Taxing District through the imposition of fees against the properties and inhabitants of the Taxing District for the services that the Operating District provides.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 AGREEMENTS (CONTINUED)**

**District Facilities Construction and Service Agreement (Continued)**

The Agreement may be terminated by either District upon one year's notice, provided that the Taxing District may terminate the Agreement only if, prior to the time of termination, all remaining payments and financial obligations set forth in the Agreement are paid to the Operating District in full. The Operating District may terminate the Agreement only if, in the context of the termination, the Operating District either: 1) transfers to the Taxing District, free and clear and in its entirety, its interest in the Facilities and in each and every one and all of the water rights, contracts, leases, easements, properties held in fee, and any other personal, real or intangible property then held or owned by the Operating District and necessary for the continued provision of the Services or, 2) makes the transfer to another governmental entity or entities pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be satisfactory to the Board of Directors of the Taxing District or, 3) in the event the Operating District is dissolving in accordance with Colorado law, makes the transfer pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be held in accordance with that law by an appropriate Colorado Court.

The following is an analysis of the changes in the District's Capital and Service obligations for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Service Obligation Liability	\$ 273,750	\$ -	\$ 273,750	\$ -
Capital Obligation Liability	2,904,477	305,989	-	3,210,466
Total	<u>\$ 3,178,227</u>	<u>\$ 305,989</u>	<u>\$ 273,750</u>	<u>\$ 3,210,466</u>

**Advance and Reimbursement and Facilities Acquisition Agreement**

The Advance and Reimbursement and Facilities Acquisition Agreement (ARFAA) entered into between Buckhorn Valley Metropolitan District No. 1 and Buckhorn Valley Metropolitan District No. 2 (the Districts), and Buckhorn Valley Development, LLC (BV Development), generally provides that the advance of funds by BV Development for the organization of the Districts, maintenance and operation costs shall be reimbursed together with an interest rate of 8% per annum on such sums advanced. In addition, the advance of funds by BV Development for capital construction of certain public improvements and facilities shall be reimbursed, upon certification and approval by the Districts, from the issuance of Bonds, whereas the Districts are authorized to issue public debt instruments, including general obligation bonds, which the Districts may issue for the purpose of satisfying its obligations to construct or acquire the public infrastructure necessary for the development of the Districts. In the event the Bonds do not issue, the proceeds from such Bonds are not sufficient to repay the advances, or additional advances are made thereunder, the Districts shall make payment for the actual capital construction costs from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. This reimbursement obligation is and shall be subordinate to any bonded indebtedness of the Districts now in existence or hereafter created, and shall be subject to the limitations of the Districts' Service Plan. The payment of obligations under the ARFAA are subject to annual appropriation by the Board of Directors of the Districts in their

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5 AGREEMENTS (CONTINUED)**

**Advance and Reimbursement and Facilities Acquisition Agreement (Continued)**

sole discretion, and the terms and conditions of the agreement shall not be construed as a multiple-fiscal year direct or indirect District debt or other financial obligation within the meaning of Article X, Section 20 of the Colorado Constitution. As of December 31, 2018, the District had no outstanding obligations under the ARFAA.

**Management Services Agreement**

On September 11, 2010, the District and Buckhorn Valley Metropolitan District No. 1 entered into a Management Services Agreement with Colorado Land Management LLC (Manager). The Agreement generally provides that the Manager shall conduct all of the Districts' ordinary operational and business affairs, shall provide general supervision and project administration for all projects, facilities and contracts, and provide property management services. District No. 1 shall direct the Manager in the provision of the Management Services under the Agreement, and the Manager shall obtain approval from District No. 1 prior to providing any Management Services that vary from the Management Services set forth in the Agreement, whereas District No. 1 is responsible for the management of the affairs of both District No. 1 and District No. 2 pursuant to the Master IGA between the Districts. The Manager shall be paid a monthly base management fee of \$5,000, plus an hourly rate for services not included in the monthly base management fee. The Management Services Agreement has been renewed annually since 2010.

**NOTE 6 NET POSITION**

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

The restricted component of net position consists of assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. As of December 31, 2018, the District had restricted net position as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service	\$ 300,000
Total Restricted Net Position	\$ 300,000

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District has a deficit in unrestricted net position. In previous years, the District transferred bond proceeds to District No. 1 for the construction of facilities benefiting both Districts pursuant to the District Facilities Construction and Service Agreement. The long-term debt which funded the construction of these facilities remains an obligation of the District.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 RELATED PARTIES**

The prior developer of the property which constitutes the District was Roark Partners, LLLP (Roark) and was the owner of the District's Series 2008 subordinate bonds. Roark has since been liquidated, but one board member controls the ownership interest in the Series 2008 subordinate bonds.

During 2011, the property owned by BV Development was foreclosed on and acquired by CDDR Properties-OG, LLC, a Texas limited liability company, and a subsidiary of Texas Capital Bank N.A. In December 2013, the development was purchased by BV Firewheel LLC and BV FW Landco LLC, both of which are Texas limited liability companies. During 2018, one board member was the registered agent and consultant of Colorado Land Management LLC (see Note 5) and another board member was the owner of a company that has contracted to provide construction improvements to District No. 1.

**NOTE 8 RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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, public officials' liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

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

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.



**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

On May 2, 2000, and again on November 7, 2000, a majority of the District's electors authorized an annual increase of up to \$500,000 in property tax collections for operations and maintenance and to collect, retain, and spend up to \$250,000 annually from any other revenue source other than ad valorem taxes.

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 Buckhorn Valley Metropolitan District No. 1. Therefore, the Emergency Reserves related to the District's revenues are reported in the financial statements for Buckhorn Valley Metropolitan District No. 1.

The District's management believes it is in substantial compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

**SUPPLEMENTARY INFORMATION**

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL**  
**YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 481,131	\$ 480,539	\$ (592)
Specific Ownership Taxes	21,650	27,476	5,826
Net Investment Income	50	306	256
Other Income	2,000	-	(2,000)
Total Revenues	<u>504,831</u>	<u>508,321</u>	<u>3,490</u>
<b>EXPENDITURES</b>			
Banking Fees	100	120	(20)
County Treasurer Fees	14,430	14,420	10
Interest - 2003 Bonds	97,891	98,105	(214)
Interest - 2010 Bonds	393,040	393,895	(855)
Paying Agent/Trustee Fees	1,000	650	350
Contingency	2,000	-	2,000
Total Expenditures	<u>508,461</u>	<u>507,190</u>	<u>1,271</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,630)	1,131	4,761
Fund Balance - Beginning of Year	<u>3,630</u>	<u>3,572</u>	<u>(58)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,703</u></u>	<u><u>\$ 4,703</u></u>

## **OTHER INFORMATION**

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**  
**DECEMBER 31, 2018**

<u>Year Ended</u> <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>		<u>Total Property Taxes</u>		Percentage Collected to Levied
		<u>Operations</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2014	\$ 5,262,640	6.118	48.945	\$ 289,777	\$ 276,573 (1)	95.44 %
2015	5,159,230	6.118	48.945	284,083	284,084	100.00
2016	7,062,730	6.118	48.945	388,895	387,552	99.65
2017	7,511,030	6.118	48.945	413,580	413,387	99.95
2018	8,891,560	6.764	54.111	541,274	540,608	99.88
Estimated for the Year Ending December 31, 2019	\$ 9,629,890	6.764	54.111	\$ 586,219		

(1) During 2014, a property tax rebate of \$16,577 was paid to property owners within the District.

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.