

Highlands Metropolitan District #2  
Financial Statements

August 31, 2020

ACCOUNTANT'S COMPILATION REPORT

Board of Directors  
Highlands Metropolitan District #2

Management is responsible for the accompanying financial statements of each major fund of Highlands Metropolitan District #2, as of and for the period ended August 31, 2020, which are comprised of the Balance Sheet and the related Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds and account groups for the eight months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the Statement of Net Position, Statement of Activities, Management Discussion and Analysis and all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Highlands Metropolitan District #2 because we performed certain accounting services that impaired our independence.

*Simmons & Wheeler P.C.*

October 10, 2020  
Englewood, Colorado

Highlands Metropolitan District No. 2  
Balance Sheet - Governmental Funds and Account Groups  
August 31, 2020

See Accountant's Compilation Report

	General <u>Fund</u>	Capital <u>Projects</u>	Debt <u>Service</u>	Total <u>All Funds</u>
<b>Assets</b>				
Current assets				
Cash in checking	\$ 21,999	\$ -	\$ -	\$ 21,999
Cash in Colotrust	29,495	-	180,138	209,633
Cash with Trustee	-	11,807	1,266,353	1,278,160
Receivable from District 1	-	-	-	-
Accounts receivable - Taxes	200	-	2,196	2,396
Accounts receivable - Taxes (TIF)	<u>2,979</u>	<u>-</u>	<u>32,538</u>	<u>35,517</u>
	<u>54,673</u>	<u>11,807</u>	<u>1,481,225</u>	<u>1,547,705</u>
Other assets				
Improvements	-	-	-	527,479
Amount available in debt service fund	-	-	-	1,480,322
Amount to be provided for retirement of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,777,596</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,785,397</u>
	<u>\$ 54,673</u>	<u>\$ 11,807</u>	<u>\$ 1,481,225</u>	<u>\$ 9,333,102</u>
<b>Liabilities and Equity</b>				
Current liabilities				
Accounts payable	\$ 45,531	\$ -	\$ 903	\$ 46,434
Payable to District 1 and 3	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>45,531</u>	<u>-</u>	<u>903</u>	<u>46,434</u>
Developer Note Payable-Operations	-	-	-	54,584
Developer Note Payable - Interest	-	-	-	10,740
Developer Note Payable - Capital	-	-	-	35,826
Developer Note Payable - Cap-Int	-	-	-	7,768
Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,149,000</u>
Total liabilities	<u>45,531</u>	<u>-</u>	<u>903</u>	<u>7,304,352</u>
Fund Equity				
Investment in improvements	-	-	-	527,479
Fund balance (deficit)	<u>9,142</u>	<u>11,807</u>	<u>1,480,322</u>	<u>1,501,271</u>
	<u>9,142</u>	<u>11,807</u>	<u>1,480,322</u>	<u>2,028,750</u>
	<u>\$ 54,673</u>	<u>\$ 11,807</u>	<u>\$ 1,481,225</u>	<u>\$ 9,333,102</u>

Highlands Metropolitan District No. 2  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Budget and Actual  
For the Eight Months Ended August 31, 2020  
General Fund

See Accountant's Compilation Report

	Annual <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 693	\$ 691	\$ (2)
TIF	37,723	37,132	(591)
Specific ownership taxes	2,429	1,415	(1,014)
Developer advance	-	-	-
Interest income	-	2,249	2,249
	<u>40,845</u>	<u>41,487</u>	<u>642</u>
Expenditures			
Audit	4,500	4,400	100
Accounting	5,500	6,937	(1,437)
Insurance/SDA Dues	3,400	3,589	(189)
Legal	15,000	37,073	(22,073)
Miscellaneous	1,500	1,202	298
Treasurer's Fees	10	10	-
Contingency	33,532	-	33,532
Emergency reserve	897	-	897
	<u>64,339</u>	<u>53,211</u>	<u>11,128</u>
Excess (deficiency) of revenues over expenditures	(23,494)	(11,724)	11,770
Fund balance - beginning	<u>23,494</u>	<u>20,866</u>	<u>(2,628)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 9,142</u>	<u>\$ 9,142</u>

Highlands Metropolitan District No. 2  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Budget and Actual  
For the Eight Months Ended August 31, 2020  
Capital Projects Fund

See Accountant's Compilation Report

	Annual <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Interest income	\$ 10,000	\$ 3,420	\$ (6,580)
	<u>10,000</u>	<u>3,420</u>	<u>(6,580)</u>
Expenditures			
Capital Expenditures	767,136	752,365	14,771
Accounting	-	-	-
Legal	-	-	-
Planning & Engineering	-	-	-
	<u>767,136</u>	<u>752,365</u>	<u>14,771</u>
Excess (deficiency) of revenues over expenditures	(757,136)	(748,945)	8,191
Fund balance - beginning	<u>757,136</u>	<u>760,752</u>	<u>3,616</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 11,807</u>	<u>\$ 11,807</u>

Highlands Metropolitan District No. 2  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
Budget and Actual  
For the Eight Months Ended August 31, 2020  
Debt Service Fund

See Accountant's Compilation Report

	Annual <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 7,607	\$ 7,582	\$ (25)
TIF	413,961	407,484	(6,477)
Specific Ownership taxes	25,294	15,529	(9,765)
Development fees	15,000	-	(15,000)
Interest Income	<u>15,000</u>	<u>5,892</u>	<u>(9,108)</u>
	<u>476,862</u>	<u>436,487</u>	<u>(40,375)</u>
Expenditures			
Trustee Fee	6,000	5,500	500
Treasurer's fees	117	115	2
Bond Interest	301,350	150,675	150,675
BURA Fee	<u>-</u>	<u>-</u>	<u>-</u>
	<u>307,467</u>	<u>156,290</u>	<u>151,177</u>
Excess (deficiency) of revenues over expenditures	169,395	280,197	110,802
Fund balance - beginning	<u>1,180,425</u>	<u>1,200,125</u>	<u>19,700</u>
Fund balance - ending	<u><u>\$ 1,349,820</u></u>	<u><u>\$ 1,480,322</u></u>	<u><u>\$ 130,502</u></u>