

**FLYING HORSE METROPOLITAN DISTRICT NOS. 1-3
ANNUAL REPORT FOR REPORT YEAR 2021
COLORADO SPRINGS, EL PASO COUNTY, COLORADO**

This annual report is submitted to El Paso County and the City of Colorado Springs consistent with Section G(1) of the Service Plan for the Flying Horse Metropolitan District Nos. 1-3 (collectively, the “Districts”).

A. Boundary changes made or proposed.

During the report year of 2021, the Districts did not make any changes to its boundaries.

B. Intergovernmental Agreements with other governmental bodies entered into or proposed.

During the report year of 2021, the Districts did not enter into any intergovernmental agreements with other governmental bodies.

C. Changes or proposed changes in the District's policies.

During the report year of 2021, the Districts did not change its policies.

D. Changes or proposed changes in the District's operations.

During the report year of 2021, the District did not make or propose any changes to its operations.

E. Any changes in the financial status of the District including revenue projections, or operating costs.

Financial Status - see 2022 budgets attached as Exhibit A, which includes the District’s estimated revenues and expenditures for the years 2021 and 2022.

F. A summary of any litigation which involves the District.

During the report year of 2021, the Districts were not involved in any litigation.

G. Proposed plans for the year immediately following the year summarized in the annual report.

In 2022, the Districts will continue to operate and maintain certain public improvements and provides services as set forth in the District’s Service Plan.

H. Status of Public Improvement Construction Schedule.

All public improvements for the development have been constructed.

I. A list of all facilities and improvements that have been dedicated to and accepted by the City.

The District did not dedicate any facilities or improvements to the City in 2021.

J. Summary of the current assessed valuations of the District as compared to the projected assessed valuation.

	2021 Assessed Valuation	Projected Assessed Valuation
District No. 1	\$60	\$154,476,000 (for all Districts combined)
District No. 2	\$60,095,910	\$154,476,000 (for all Districts combined)
District No. 3	\$18,086,320	\$154,476,000 (for all Districts combined)

K. Budget of the District for the year 2021.

See attached Exhibit B.

L. Most recent audited financial statements of the District.

See attached Exhibit C.

Summary

- A. Assessed valuation
 - 1. Flying Horse Metropolitan District No. 1: \$60
 - 2. Flying Horse Metropolitan District No. 2: \$60,095,910
 - 3. Flying Horse Metropolitan District No. 3: \$18,086,320
- B. Acreage
 - 1. Flying Horse Metropolitan District No. 1: 0.308 acres
 - 2. Flying Horse Metropolitan District No. 2: 1,118.836 acres
 - 3. Flying Horse Metropolitan District No. 3: 463.06 acres
- C. Indebtedness stated by class or issue
 - 1. Flying Horse Metropolitan District No. 1: \$0.00
 - 2. Flying Horse Metropolitan District No. 2 balance as of 12/30/2021:
 - i. Series 2020A General Obligation Refunding and Improvement Bonds: \$36,215,000
 - ii. Series 2020A Premium: \$6,840,864
 - iii. Series 2020B Subordinate General Obligation Limited Tax Bonds: \$15,405,000
 - iv. Series 2020B Accrued Interest: \$612,720
 - 3. Flying Horse Metropolitan District No. 3:
 - i. Series 2019A General Obligation Limited Tax Refunding Bonds Principal: \$17,800,000
 - ii. Series 2019A Interest: \$1,222,468
- D. Debt service stated by class or issue
 - 1. Flying Horse Metropolitan District No. 1: 0 mills
 - 2. Flying Horse Metropolitan District No. 2: 31.124 mills
 - 3. Flying Horse Metropolitan District No. 3: 31.566 mills
- E. Tax revenue
 - 1. Flying Horse Metropolitan District No. 2:
 - i. Property Taxes: \$2,884,690
 - ii. Specific Ownership Tax: \$322,206
 - 2. Flying Horse Metropolitan District No. 3:
 - i. Property Taxes: \$756,497
 - ii. Specific Ownership Tax: \$87,120
- F. Other revenue
 - 1. Flying Horse Metropolitan District No. 1:
 - i. Intergovernmental Revenues from District 2: \$796,000
 - ii. Intergovernmental Revenues from District 3: \$205,000
 - 2. Flying Horse Metropolitan District No. 2:
 - i. Interest Income: \$2,250
 - ii. Facilities Fees: \$144,000
 - iii. Intergovernmental Revenues: \$7,000
 - 3. Flying Horse Metropolitan District No. 3:
 - i. Interest Income: \$250
 - ii. Infrastructure Development Fees: \$31,703
 - iii. Intergovernmental Revenues: \$3,500

G. Infrastructure expenditures

1. Flying Horse Metropolitan District No. 1:
 - i. Landscape improvements: \$55,000
 - ii. Tower and other repairs: \$2,000

H. Other expenditures (Debt Service Fund and General Fund)

1. Flying Horse Metropolitan District No. 1: \$905,230
2. Flying Horse Metropolitan District No. 2: \$3,410,945
3. Flying Horse Metropolitan District No. 3: \$869,600

Exhibit A
2022 Budgets

LETTER OF BUDGET TRANSMITTAL

Date: January 30, 2022

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2022 budget and budget message for FLYING HORSE METROPOLITAN DISTRICT NO. 1 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 30, 2021. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Carrie Bartow
111 South Tejon Street, Suite 705
Colorado Springs, CO 80903
Tel.: 719-473-3630

I, George Lenz, as President of the Flying Horse Metropolitan District No. 1, hereby certify that the attached is a true and correct copy of the 2022 budget.

By: George Lenz

**RESOLUTION
TO ADOPT 2022 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FLYING HORSE METROPOLITAN DISTRICT NO. 1**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2022 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FLYING HORSE METROPOLITAN DISTRICT NO. 1, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2022, AND ENDING ON THE LAST DAY OF DECEMBER, 2022,

WHEREAS, the Board of Directors of the Flying Horse Metropolitan District No. 1 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 30, 2021 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$0; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$0; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2021 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$60.00; and

WHEREAS, at an election held on November 4, 2004 the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLYING HORSE METROPOLITAN DISTRICT NO. 1 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Flying Horse Metropolitan District No. 1 for calendar year 2022.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2022 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2022 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2021.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2022 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the

following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2021.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2022 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2021.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2022 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2021, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2021 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

[remainder of page intentionally left blank; signature page follows]

ADOPTED this 30th day of November 2021.

FLYING HORSE METROPOLITAN
DISTRICT NO. 1

George Lenzy

President

ATTEST:



Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FLYING HORSE METROPOLITAN DISTRICT NO. 1
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31,2022

**FLYING HORSE METROPOLITAN DISTRICT NO.1
SUMMARY
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ (26,395)	\$ 27,442	\$ 123,677
REVENUES			
Developer Advance	15,559,665	-	-
Intergovernmental revenues - District 2	37,740,260	796,000	895,000
Intergovernmental revenues - District 3	185,000	205,000	255,000
Other revenue	750	465	-
Total revenues	<u>53,485,675</u>	<u>1,001,465</u>	<u>1,150,000</u>
TRANSFERS IN	<u>18,356,823</u>	-	-
Total funds available	<u>71,816,103</u>	<u>1,028,907</u>	<u>1,273,677</u>
EXPENDITURES			
General Fund	786,913	905,230	1,123,677
Debt Service Fund	18,356,823	-	-
Capital Projects Fund	34,288,102	-	-
Total expenditures	<u>53,431,838</u>	<u>905,230</u>	<u>1,123,677</u>
TRANSFERS OUT	<u>18,356,823</u>	-	-
Total expenditures and transfers out requiring appropriation	<u>71,788,661</u>	<u>905,230</u>	<u>1,123,677</u>
ENDING FUND BALANCES	<u>\$ 27,442</u>	<u>\$ 123,677</u>	<u>\$ 150,000</u>
EMERGENCY RESERVE	\$ 25,300	\$ 30,000	\$ 34,500
OPERATIONAL RESERVE	-	93,677	115,500
TOTAL RESERVE	<u>\$ 25,300</u>	<u>\$ 123,677</u>	<u>\$ 150,000</u>

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
PROPERTY TAX SUMMARY INFORMATION
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
ASSESSED VALUATION			
Vacant land	\$ 60	\$ 60	\$ 60
	60	60	60
Adjustments	-	-	-
Certified Assessed Value	\$ 60	\$ 60	\$ 60
 MILL LEVY			
Total mill levy	0.000	0.000	0.000
 PROPERTY TAXES			
Budgeted property taxes	\$ -	\$ -	\$ -
 BUDGETED PROPERTY TAXES			
	\$ -	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
GENERAL FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ (26,395)	\$ 27,442	\$ 123,677
REVENUES			
Other revenue	750	465	-
Intergovernmental revenues - District 2	655,000	796,000	895,000
Intergovernmental revenues - District 3	185,000	205,000	255,000
Total revenues	840,750	1,001,465	1,150,000
Total funds available	814,355	1,028,907	1,273,677
EXPENDITURES			
General and administrative			
Accounting	10,296	25,000	36,000
Auditing	-	13,229	13,650
Banking fees	276	250	250
District management	6,000	7,000	6,575
Dues and licenses	1,107	1,451	1,500
Insurance and bonds	11,366	16,475	18,000
Intergovernmental expenditures	22,683	10,500	-
Election expense	-	-	10,000
Legal services	43,634	10,000	15,000
Operations and maintenance			
Contingency	1,601	-	7,977
Landscape improvements	13,336	55,000	225,000
Repairs and maintenance	-	-	-
Lighting	84	1,200	1,200
Stormwater fees	30,096	30,000	30,000
Tower/Other repairs	-	2,000	2,400
Utilities	337,614	350,000	400,000
Irrigation repairs	21,004	30,000	35,000
Landscape maintenance	280,221	320,000	288,000
Snow removal/Winter watering	7,595	33,125	33,125
Total expenditures	786,913	905,230	1,123,677
Total expenditures and transfers out requiring appropriation	786,913	905,230	1,123,677
ENDING FUND BALANCE	\$ 27,442	\$ 123,677	\$ 150,000
EMERGENCY RESERVE	\$ 25,300	\$ 30,000	\$ 34,500
OPERATIONAL RESERVE	-	93,677	115,500
TOTAL RESERVE	\$ 25,300	\$ 123,677	\$ 150,000

No assurance provided. See summary of significant assumptions.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Total revenues	-	-	-
TRANSFERS IN			
Transfers from other funds	18,356,823	-	-
Total funds available	18,356,823	-	-
EXPENDITURES			
Debt Service			
Bond interest	1,010,809	-	-
Bond principal	17,346,014	-	-
Total expenditures	18,356,823	-	-
Total expenditures and transfers out requiring appropriation	18,356,823	-	-
ENDING FUND BALANCE	\$ -	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
CAPITAL PROJECTS FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Developer advance	15,559,665	-	-
Intergovernmental revenues - District 2	37,085,260	-	-
Total revenues	<u>52,644,925</u>	<u>-</u>	<u>-</u>
TRANSFERS IN			
Transfers from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total funds available	<u>52,644,925</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital Projects			
Repay developer advance - interest	1,608,417	-	-
Repay developer advance - principal	17,120,019	-	-
Capital outlay	15,559,666	-	-
Total expenditures	<u>34,288,102</u>	<u>-</u>	<u>-</u>
TRANSFERS OUT			
Transfers to other fund	<u>18,356,823</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>52,644,925</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The Flying Horse Metropolitan District No.1 ("District No. 1"), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Consolidated Service Plan, approved by the City of Colorado Springs on August 24, 2004, formed the Flying Horse Metropolitan Districts Nos 1 – 3 ("The Districts")

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential and commercial development. The District was organized in conjunction with Flying Horse Metropolitan District No. 2 ("District No. 2") and Flying Horse Metropolitan District No. 3 ("District No. 3") to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the three districts. District No. 1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Intergovernmental Revenue

The intergovernmental revenue represents transfers from Flying Horse Metropolitan District Nos. 2 and 3 to provide funding for the overall administrative and operating costs for the Districts.

Expenditures

Administrative and Operations and Maintenance Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, landscaping, utilities, and other administrative expenses.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

Developer Advances

The District entered into a Reimbursement Agreement (Agreement) with the Developer. The District agrees to repay the Developer along with accrued interest, at a rate of 8.00% beginning on the date the advance were made to the date of repayment. The Agreement does not constitute a multiple-fiscal year obligation.

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021
Developer Advances	\$ 3,366,775	\$ -	\$ -	\$ 3,366,775
Accrued Interest:				
Developer Advances	1,894,500	269,342	-	2,163,842
Total	<u>\$ 5,261,275</u>	<u>\$ 269,342</u>	<u>\$ -</u>	<u>\$ 5,530,617</u>
	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022
Developer Advances	\$ 3,366,775	\$ -	\$ -	\$ 3,366,775
Accrued Interest:				
Developer Advances	2,163,842	269,342	-	2,433,184
Total	<u>\$ 5,530,617</u>	<u>\$ 269,342</u>	<u>\$ -</u>	<u>\$ 5,799,959</u>

The District has no operating or capital leases.

Reserves

Emergency Reserves

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2022, as defined under TABOR.

Operational Reserves

The District has adopted an operational reserve policy equivalent to a minimum of ninety (90) days of annually budgeted District expenditures.

This information is an integral part of the accompanying budget.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of El Paso County, Colorado.

On behalf of the FLYING HORSE METROPOLITAN DISTRICT NO. 1,
(taxing entity)^A

the Board of Directors
(governing body)^B

of the FLYING HORSE METROPOLITAN DISTRICT NO. 1
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 60 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 60 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2021 for budget/fiscal year 2022.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

<u>PURPOSE</u> <small>(see end notes for definitions and examples)</small>	<u>LEVY</u> ²	<u>REVENUE</u> ²
1. General Operating Expenses ^H	<u>0</u> mills	<u>\$ 0</u>
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	<u>< ></u> mills	<u>\$ < ></u>
SUBTOTAL FOR GENERAL OPERATING:	<u>0</u> mills	<u>\$ 0</u>
3. General Obligation Bonds and Interest ^J	_____ mills	\$ _____
4. Contractual Obligations ^K	<u>0</u> mills	<u>\$ 0</u>
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
_____	_____ mills	\$ _____
TOTAL: <small>[Sum of General Operating Subtotal and Lines 3 to 7]</small>	<u>0</u> mills	<u>0</u>

Contact person: Carrie Bartow Daytime phone: (719) 635-0330

Signed:  Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the *taxing entity's* boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

1. Purpose of Issue: _____
Series: _____
Date of Issue: _____
Coupon Rate: _____
Maturity Date: _____
Levy: _____
Revenue: _____

2. Purpose of Issue: _____
Series: _____
Date of Issue: _____
Coupon Rate: _____
Maturity Date: _____
Levy: _____
Revenue: _____

CONTRACTS^K:

3. Purpose of Contract: _____
Title: _____
Date: _____
Principal Amount: _____
Maturity Date: _____
Levy: _____
Revenue: _____

4. Purpose of Contract: _____
Title: _____
Date: _____
Principal Amount: _____
Maturity Date: _____
Levy: _____
Revenue: _____

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

LETTER OF BUDGET TRANSMITTAL

Date: January 30, 2022

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2022 budget and budget message for FLYING HORSE METROPOLITAN DISTRICT NO. 2 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 30, 2021. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Carrie Bartow
111 South Tejon Street, Suite 705
Colorado Springs, CO 80903
Tel.: 719-473-3630

I, George Lenz, as President of the Flying Horse Metropolitan District No. 2, hereby certify that the attached is a true and correct copy of the 2022 budget.

By: George Lenz

**RESOLUTION
TO ADOPT 2022 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FLYING HORSE METROPOLITAN DISTRICT NO. 2**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2022 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FLYING HORSE METROPOLITAN DISTRICT NO. 2, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2022, AND ENDING ON THE LAST DAY OF DECEMBER, 2022,

WHEREAS, the Board of Directors of the Flying Horse Metropolitan District No. 2 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 30, 2021 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$806,880.00; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$2,420,784.00; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2021 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$72,482,910.00; and

WHEREAS, at an election held on November 4, 2004 the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLYING HORSE METROPOLITAN DISTRICT NO. 2 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Flying Horse Metropolitan District No. 2 for calendar year 2022.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2022 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2022 budget year, there is hereby levied a tax of 11.132 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2021.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2022 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the

following "Certification of Tax Levies," there is hereby levied a tax of 33.398 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2021.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2022 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2021.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2022 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2021, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2021 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

[remainder of page intentionally left blank; signature page follows]

ADOPTED this 30th day of November 2021.

FLYING HORSE METROPOLITAN
DISTRICT NO. 2

George Lenz

President

ATTEST:

R

Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FLYING HORSE METROPOLITAN DISTRICT NO. 2
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2022

FLYING HORSE METROPOLITAN DISTRICT NO.2
SUMMARY
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ 2,113,198	\$ 116,095	\$ 75,296
REVENUES			
Property taxes	2,654,842	2,884,690	3,227,664
Specific ownership tax	288,650	332,206	322,766
Interest income	12,869	2,250	500
Facilities fees	170,000	144,000	144,000
Other revenue	-	-	-
Intergovernmental revenues	11,307	7,000	-
Bond proceeds	59,338,252	-	-
Total revenues	<u>62,475,920</u>	<u>3,370,146</u>	<u>3,694,930</u>
Total funds available	<u>64,589,118</u>	<u>3,486,241</u>	<u>3,770,226</u>
EXPENDITURES			
General Fund	673,406	806,430	911,248
Debt Service Fund	63,799,617	2,604,515	2,858,978
Total expenditures	<u>64,473,023</u>	<u>3,410,945</u>	<u>3,770,226</u>
Total expenditures and transfers out requiring appropriation	<u>64,473,023</u>	<u>3,410,945</u>	<u>3,770,226</u>
ENDING FUND BALANCES	<u>\$ 116,095</u>	<u>\$ 75,296</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

FLYING HORSE METROPOLITAN DISTRICT NO.2
PROPERTY TAX SUMMARY INFORMATION
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
ASSESSED VALUATION			
Residential	\$ 55,923,700	\$ 60,030,350	\$ 68,377,210
Commercial	38,810	44,660	49,600
Agricultural	2,990	-	-
State assessed	99,870	92,580	8,460
Vacant land	4,781,280	5,928,320	4,047,640
	<u>60,846,650</u>	<u>66,095,910</u>	<u>72,482,910</u>
Adjustments	-	-	-
Certified Assessed Value	<u>\$ 60,846,650</u>	<u>\$ 66,095,910</u>	<u>\$ 72,482,910</u>
MILL LEVY			
General	10.520	10.520	11.132
Debt Service	33.124	33.124	33.398
	<u>43.644</u>	<u>43.644</u>	<u>44.530</u>
PROPERTY TAXES			
General	\$ 640,107	\$ 695,329	\$ 806,880
Debt Service	2,015,484	2,189,361	2,420,784
	<u>2,655,591</u>	<u>2,884,690</u>	<u>3,227,664</u>
Levied property taxes	2,655,591	2,884,690	3,227,664
Adjustments to actual/rounding	(749)	-	-
Budgeted property taxes	<u>\$ 2,654,842</u>	<u>\$ 2,884,690</u>	<u>\$ 3,227,664</u>
BUDGETED PROPERTY TAXES			
General	\$ 639,817	\$ 695,329	\$ 806,880
Debt Service	2,015,025	2,189,361	2,420,784
	<u>\$ 2,654,842</u>	<u>\$ 2,884,690</u>	<u>\$ 3,227,664</u>

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
GENERAL FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ 8,147	\$ 53,469	\$ 23,180
REVENUES			
Property taxes	639,817	695,329	806,880
Specific ownership tax	69,565	80,062	80,688
Interest income	577	750	500
Other revenue	-	-	-
Intergovernmental revenues	8,769	-	-
Total revenues	718,728	776,141	888,068
Total funds available	726,875	829,610	911,248
EXPENDITURES			
General and administrative			
Accounting	5,600	-	-
County Treasurer's fee	9,607	10,430	12,103
Dues and licenses	305	-	-
Insurance and bonds	2,015	-	-
Miscellaneous	850	-	4,145
Banking fees	29	-	-
Intergovernmental expenditures	655,000	796,000	895,000
Total expenditures	673,406	806,430	911,248
Total expenditures and transfers out requiring appropriation	673,406	806,430	911,248
ENDING FUND BALANCE	\$ 53,469	\$ 23,180	\$ -

No assurance provided. See summary of significant assumptions.

FLYING HORSE METROPOLITAN DISTRICT NO.2
DEBT SERVICE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ 2,105,051	\$ 62,626	\$ 52,116
REVENUES			
Property taxes	2,015,025	2,189,361	2,420,784
Specific ownership tax	219,085	252,144	242,078
Interest income	12,292	1,500	-
Facilities fees	170,000	144,000	144,000
Intergovernmental revenues	2,538	7,000	-
Bond proceeds	59,338,252	-	-
Total revenues	61,757,192	2,594,005	2,806,862
Total funds available	63,862,243	2,656,631	2,858,978
EXPENDITURES			
General and administrative			
County Treasurer's fee	30,257	32,840	36,312
Legal services	238	-	-
Banking fees	90	5	-
Intergovernmental expenditures	37,085,260	-	-
Paying agent fees	2,300	7,000	7,000
Debt Service			
Bond interest - 2013A	1,513,758	-	-
Bond interest - 2013B	807,217	-	-
Bond interest - 2020A	487,648	1,526,550	1,511,350
Bond interest - 2020B	292,768	658,120	854,316
Bond principal - 2013A	6,650,000	-	-
Bond principal - 2013B	15,725,000	-	-
Bond principal - 2020A	-	380,000	450,000
Bond insurance	292,603	-	-
Bond issue costs	912,478	-	-
Total expenditures	63,799,617	2,604,515	2,858,978
Total expenditures and transfers out requiring appropriation	63,799,617	2,604,515	2,858,978
ENDING FUND BALANCE	\$ 62,626	\$ 52,116	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The Flying Horse Metropolitan District No. 2 ("District"), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Preliminary Consolidated Service Plan, approved by the City of Colorado Springs on August 24, 2004, formed the Flying Horse Metropolitan Districts Nos 1 – 3 ("The Districts") as 'shell districts' which could not operate until an amended service plan was approved.

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential development. The District was organized in conjunction with two other related districts, Flying Horse Metropolitan District No. 1 ("District No. 1"), the Operating District, and Flying Horse Metropolitan District No. 3 ("District No. 2"), 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's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (Continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the total property taxes collected.

Facility Fees

The District will assess and charge a facility fee against all properties within the Districts. Facilities fees are due and payable to the District upon the earlier of the issuance of a building permit by the Regional Building Department or the sale of a platted lot. Any unpaid fees that are due and owing bear interest at a rate of 12.00% per annum. Under the agreement, the developer will prepay fees to the District if there is a shortfall relative to the projected and agreed-upon schedule. In the event the District receives fees in any semi-annual period in excess of the amount, such excess payments are carried forward and credited against future required payments. Facility fees will be used to pay for the District's bond obligations.

Investment Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

Expenditures

Intergovernmental Expenditures

All administrative expenditures such as legal, accounting, management, insurance, including costs for snow removal and landscape maintenance, are paid through and by District No. 1, the Operating District. The District will transfer net revenues collected from its operational mill levy, as well as the current, unpledged revenue from its debt service fund, to District No. 1 to cover a portion of these costs.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt Service

Principal and interest payments are provided based on the debt amortization schedule from the Series 2020A Bonds (discussed under Debt and Leases).

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

On August 8, 2020, the District issued \$36,595,000 in Series 2020A General Obligation Refunding and Improvement Bonds and \$15,405,000 in Series 2020B Subordinate General Obligation Limited Tax Bonds. The interest rate on the 2020A Bonds is 4.00%-5.00% per annum and the rate on the Series 2020B Bonds is 7.25% per annum. Interest on the 2020A Bonds is payable to the bondholders semi-annually on each June 1 and December 1, commencing December 1, 2020. The Series 2020B Bonds of \$15,405,000 are term bonds due December 15, 2050. The Bonds are special limited obligations of the District secured by and payable from the pledged revenues, consisting of the following source: (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result on the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenues.

	Balance - December 31, 2020	Additions	Deletions	Balance - December 31, 2021
Series 2020A Bonds - Principal	\$36,595,000	\$ -	\$ 380,000	\$36,215,000
Series 2020A Bonds - Premium	7,217,832	-	376,968	6,840,864
Series 2020B Bonds - Principal	15,405,000	-	-	15,405,000
Series 2020B Bonds - Accrued Interest	153,977	1,116,863	658,120	612,720
Total Long Term Obligations	<u>\$59,371,809</u>	<u>\$ 1,116,863</u>	<u>\$ 1,415,088</u>	<u>\$59,073,583</u>
	Balance - December 31, 2021	Additions	Deletions	Balance - December 31, 2022
Series 2020A Bonds - Principal	\$36,215,000	\$ -	\$ 450,000	\$35,765,000
Series 2020A Bonds - Premium	6,840,864	-	373,215	6,467,649
Series 2020B Bonds - Principal	15,405,000	-	-	15,405,000
Series 2020B Bonds - Accrued Interest	612,720	1,116,863	854,316	875,267
Total Long Term Obligations	<u>\$59,073,583</u>	<u>\$ 1,116,863</u>	<u>\$ 1,677,441</u>	<u>\$58,512,916</u>

The District has no operating or capital leases.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all three Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2022 budget.

This information is an integral part of the accompanying budget.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

\$36,595,000

General Obligation Limited Tax Refunding Bonds Series 2020A

Dated August 8, 2020

Interest Rate 4.00% - 5.00%

Interest due June 1 and December 1

Principal due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total All Bonds</u>
2022	\$ 450,000	\$ 1,511,350	\$ 1,961,350
2023	470,000	1,493,350	1,963,350
2024	525,000	1,474,550	1,999,550
2025	545,000	1,453,550	1,998,550
2026	605,000	1,431,750	2,036,750
2027	635,000	1,401,500	2,036,500
2028	705,000	1,369,750	2,074,750
2029	740,000	1,334,500	2,074,500
2030	815,000	1,297,500	2,112,500
2031	855,000	1,256,750	2,111,750
2032	935,000	1,214,000	2,149,000
2033	985,000	1,167,250	2,152,250
2034	1,070,000	1,118,000	2,188,000
2035	1,115,000	1,075,200	2,190,200
2036	1,200,000	1,030,600	2,230,600
2037	1,250,000	982,600	2,232,600
2038	1,340,000	932,600	2,272,600
2039	1,395,000	879,000	2,274,000
2040	1,490,000	823,200	2,313,200
2041	1,550,000	763,600	2,313,600
2042	1,655,000	701,600	2,356,600
2043	1,725,000	635,400	2,360,400
2044	1,790,000	566,400	2,356,400
2045	1,865,000	494,800	2,359,800
2046	1,940,000	420,200	2,360,200
2047	2,015,000	342,600	2,357,600
2048	2,100,000	262,000	2,362,000
2049	2,180,000	178,000	2,358,000
2050	2,270,000	90,800	2,360,800
Total	<u>\$ 36,215,000</u>	<u>\$ 27,702,400</u>	<u>\$ 63,917,400</u>

No assurance provided. See summary of significant assumptions.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of El Paso County, Colorado.

On behalf of the FLYING HORSE METROPOLITAN DISTRICT NO. 2,
(taxing entity)^A

the Board of Directors
(governing body)^B

of the FLYING HORSE METROPOLITAN DISTRICT NO. 2
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 72,482,910 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 72,482,910 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2021 for budget/fiscal year 2022.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	11.132 mills	\$ 806,880
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< > mills	\$ < >
SUBTOTAL FOR GENERAL OPERATING:	11.132 mills	\$ 806,880
3. General Obligation Bonds and Interest ^J	33.398 mills	\$ 2,420,784
4. Contractual Obligations ^K	mills	\$
5. Capital Expenditures ^L	mills	\$
6. Refunds/Abatements ^M	mills	\$
7. Other ^N (specify): _____	mills	\$
_____	mills	\$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	44.530 mills	3,227,664

Contact person: Carrie Bartow Daytime phone: (719) 635-0330
(print)

Signed: *Carrie Bartow* Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the *taxing entity's* boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

- | | | |
|----|-------------------|--|
| 1. | Purpose of Issue: | <u>Public Infrastructure</u> |
| | Series: | <u>\$36,595,000 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020A</u> |
| | Date of Issue: | <u>August 6, 2020</u> |
| | Coupon Rate: | <u>4% and 5%</u> |
| | Maturity Date: | <u>2050</u> |
| | Levy: | <u>33.398</u> |
| | Revenue: | <u>\$2,420,784</u> |
| | | |
| 2. | Purpose of Issue: | <u>Public Infrastructure</u> |
| | Series: | <u>\$15,405,000 Subordinate General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020B</u> |
| | Date of Issue: | <u>August 6, 2020</u> |
| | Coupon Rate: | <u>7.250%</u> |
| | Maturity Date: | <u>2050</u> |
| | Levy: | <u>0</u> |
| | Revenue: | <u>\$0</u> |

CONTRACTS^K:

- | | | |
|----|----------------------|-------|
| 3. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |
| | | |
| 4. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

LETTER OF BUDGET TRANSMITTAL

Date: January 30, 2022

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2022 budget and budget message for FLYING HORSE METROPOLITAN DISTRICT NO. 3 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 30, 2021. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Carrie Bartow
111 South Tejon Street, Suite 705
Colorado Springs, CO 80903
Tel.: 719-473-3630

I, George Lenz, as President of the Flying Horse Metropolitan District No. 3, hereby certify that the attached is a true and correct copy of the 2022 budget.

By: George Lenz

**RESOLUTION
TO ADOPT 2022 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FLYING HORSE METROPOLITAN DISTRICT NO. 3**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2022 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FLYING HORSE METROPOLITAN DISTRICT NO. 3, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2022, AND ENDING ON THE LAST DAY OF DECEMBER, 2022,

WHEREAS, the Board of Directors of the Flying Horse Metropolitan District No. 3 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on November 30, 2021 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$229,806.00; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$689,441.00; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2021 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$21,978,410.00; and

WHEREAS, at an election held on November 4, 2004 the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLYING HORSE METROPOLITAN DISTRICT NO. 3 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Flying Horse Metropolitan District No. 3 for calendar year 2022.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2022 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2022 budget year, there is hereby levied a tax of 10.456 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2021.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2022 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the

following "Certification of Tax Levies," there is hereby levied a tax of 31.369 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2021.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2022 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2021.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2022 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2021.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2021, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2021 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

[remainder of page intentionally left blank; signature page follows]

ADOPTED this 30th day of November 2021.

FLYING HORSE METROPOLITAN
DISTRICT NO. 3

George Lenz

President

ATTEST:

[Signature]

Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FLYING HORSE METROPOLITAN DISTRICT NO. 3
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2022

**FLYING HORSE METROPOLITAN DISTRICT NO.3
SUMMARY
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCES	\$ 24,091	\$ 21,103	\$ 30,573
REVENUES			
Property taxes	701,717	756,497	919,247
Specific ownership tax	78,972	87,120	91,925
Interest income	500	250	300
Infrastructure development fees	28,000	31,703	30,000
Other revenue	-	-	5,617
Intergovernmental revenues	11,375	3,500	-
Total revenues	<u>820,564</u>	<u>879,070</u>	<u>1,047,089</u>
Total funds available	<u>844,655</u>	<u>900,173</u>	<u>1,077,662</u>
EXPENDITURES			
General Fund	223,543	239,487	299,882
Debt Service Fund	600,009	630,113	777,780
Total expenditures	<u>823,552</u>	<u>869,600</u>	<u>1,077,662</u>
Total expenditures and transfers out requiring appropriation	<u>823,552</u>	<u>869,600</u>	<u>1,077,662</u>
ENDING FUND BALANCES	<u>\$ 21,103</u>	<u>\$ 30,573</u>	<u>\$ -</u>
DEBT SERVICE RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

FLYING HORSE METROPOLITAN DISTRICT NO.3
PROPERTY TAX SUMMARY INFORMATION
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,

1/4/22

ACTUAL	ESTIMATED	BUDGET
2020	2021	2022

ASSESSED VALUATION

Residential	\$ 8,010,770	\$ 8,114,620	\$ 8,857,110
Commercial	7,610,480	7,382,650	10,717,150
Agricultural	9,520	8,820	8,240
State assessed	14,780	5,040	4,410
Vacant land	1,724,620	2,575,190	2,391,500
	17,370,170	18,086,320	21,978,410
Certified Assessed Value	\$ 17,370,170	\$ 18,086,320	\$ 21,978,410

MILL LEVY

General	10.226	10.261	10.456
Debt Service	31.355	31.566	31.369
Total mill levy	41.581	41.827	41.825

PROPERTY TAXES

General	\$ 177,627	\$ 185,584	\$ 229,806
Debt Service	544,642	570,913	689,441
Levied property taxes	722,269	756,497	919,247
Adjustments to actual/rounding	(20,552)	-	-
Budgeted property taxes	\$ 701,717	\$ 756,497	\$ 919,247

BUDGETED PROPERTY TAXES

General	\$ 172,131	\$ 185,584	\$ 229,806
Debt Service	529,586	570,913	689,441
	\$ 701,717	\$ 756,497	\$ 919,247

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
GENERAL FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ 7,849	\$ 11,758	\$ 11,178
REVENUES			
Property taxes	172,131	185,584	229,806
Specific ownership tax	19,372	21,370	22,981
Infrastructure development fees	28,000	31,703	30,000
Interest income	74	250	300
Other revenue	-	-	5,617
Intergovernmental revenues	7,875	-	-
Total revenues	227,452	238,907	288,704
Total funds available	235,301	250,665	299,882
EXPENDITURES			
General and administrative			
Accounting	5,600	-	-
County Treasurer's fee	2,668	2,784	3,447
Dues and licenses	260	-	-
Insurance and bonds	2,015	-	-
Miscellaneous	-	-	11,435
Intergovernmental expenditures	185,000	205,000	255,000
Operations and maintenance			
Development fees returned to FHR	28,000	31,703	30,000
Total expenditures	223,543	239,487	299,882
Total expenditures and transfers out requiring appropriation	223,543	239,487	299,882
ENDING FUND BALANCE	\$ 11,758	\$ 11,178	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
DEBT SERVICE FUND
2022 BUDGET
WITH 2020 ACTUAL AND 2021 ESTIMATED
For the Years Ended and Ending December 31,**

1/4/22

	ACTUAL 2020	ESTIMATED 2021	BUDGET 2022
BEGINNING FUND BALANCE	\$ 16,242	\$ 9,345	\$ 19,395
REVENUES			
Property taxes	529,586	570,913	689,441
Specific ownership tax	59,600	65,750	68,944
Interest income	426	-	-
Intergovernmental revenues	3,500	3,500	-
Total revenues	593,112	640,163	758,385
Total funds available	609,354	649,508	777,780
EXPENDITURES			
General and administrative			
County Treasurer's fee	8,209	8,564	10,342
Paying agent fees	3,500	3,500	3,500
Debt Service			
Bond interest	588,300	618,049	763,938
Bond principal	-	-	-
Total expenditures	600,009	630,113	777,780
Total expenditures and transfers out requiring appropriation	600,009	630,113	777,780
ENDING FUND BALANCE	\$ 9,345	\$ 19,395	\$ -
DEBT SERVICE RESERVE	\$ -	\$ -	\$ -
TOTAL RESERVE	\$ -	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The Flying Horse Metropolitan District No. 3 ("District"), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Consolidated Service Plan, approved by the City of Colorado Springs on August 24, 2004, formed the Flying Horse Metropolitan Districts Nos 1 – 3 ("The Districts") as 'shell districts' which could not operate until an amended service plan was approved.

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential development. The District was organized in conjunction with two other related districts, Flying Horse Metropolitan District No. 1 ("District No. 1"), the Operating District, and Flying Horse Metropolitan District No. 2 ("District No. 2"), 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's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (Continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the total property taxes collected.

Investment Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

Expenditures

Intergovernmental Expenditures

All administrative expenditures such as legal, accounting, management, insurance, including costs for snow removal and landscape maintenance, are paid through and by District No. 1, the Operating District. The District will transfer net revenues collected from its operational mill levy, as well as the current, unpledged revenue from its debt service fund, to District No. 1 to cover a portion of these costs.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt and Leases

On July 30, 2019 the District issued the 2019A Bonds in the amount of \$17,800,000. The 2019A Bonds bear interest at an annual rate of 6.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months, through maturity on December 1, 2049. Interest is payable to the bondholders December 1. To the extent principal of any Bond is not paid when due, such principal will remain outstanding until the termination date of December 2, 2059 and will continue to bear interest at the rate then borne by the bond. Any amounts not paid by the termination date will be deemed paid, satisfied, and discharged, regardless of the amount of principal and interest paid prior to the termination date.

The District has no operating or capital leases.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
2022 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)				
	Balance - December 31, 2020	Additions	Deletions	Balance - December 31, 2021
Series 2019 Bonds - Principal	\$17,800,000	\$ -	\$ -	\$17,800,000
Series 2019 Bonds - Accrued Interest	<u>772,517</u>	<u>1,068,000</u>	<u>618,049</u>	<u>1,222,468</u>
Total Long Term Obligations	<u><u>18,572,517</u></u>	<u><u>\$ 1,068,000</u></u>	<u><u>\$ 618,049</u></u>	<u><u>\$ 19,022,468</u></u>
	Balance - December 31, 2021	Additions	Deletions	Balance - December 31, 2022
Series 2019 Bonds - Principal	\$17,800,000	\$ -	\$ -	\$17,800,000
Series 2019 Bonds - Accrued Interest	<u>1,222,468</u>	<u>1,068,000</u>	<u>763,938</u>	<u>1,526,530</u>
Total Long Term Obligations	<u><u>\$ 19,022,468</u></u>	<u><u>\$ 1,068,000</u></u>	<u><u>\$ 763,938</u></u>	<u><u>\$ 19,326,530</u></u>

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all three Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2022 budget.

This information is an integral part of the accompanying budget.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
2022 BUDGET**

\$17,800,000
General Obligation Limited Tax Refunding Bonds Series 2019
Dated July 30, 2019
Interest Rate 6.00%
Interest due June 1 and December 1
Principal due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total All Bonds</u>
2022	\$ -	\$ 1,068,000	\$ 1,068,000
2023	-	1,068,000	1,068,000
2024	-	1,068,000	1,068,000
2025	-	1,068,000	1,068,000
2026	-	1,068,000	1,068,000
2027	-	1,068,000	1,068,000
2028	172,000	1,068,000	1,240,000
2029	927,000	1,057,680	1,984,680
2030	1,022,000	1,002,060	2,024,060
2031	1,084,000	940,740	2,024,740
2032	1,189,000	875,700	2,064,700
2033	1,261,000	804,360	2,065,360
2034	1,378,000	728,700	2,106,700
2035	1,460,000	646,020	2,106,020
2036	1,590,000	558,420	2,148,420
2037	1,685,000	463,020	2,148,020
2038	1,830,000	361,920	2,191,920
2039	1,939,000	252,120	2,191,120
2040	2,100,000	135,780	2,235,780
2041	163,000	9,780	172,780
Total	<u>\$ 17,800,000</u>	<u>\$ 15,312,300</u>	<u>\$ 33,112,300</u>

No assurance provided. See summary of significant assumptions.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of El Paso County, Colorado.

On behalf of the FLYING HORSE METROPOLITAN DISTRICT NO. 3,
(taxing entity)^A

the Board of Directors
(governing body)^B


of the FLYING HORSE METROPOLITAN DISTRICT NO. 3
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 21,978,410 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 21,978,410 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2021 for budget/fiscal year 2022.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	10.456 mills	\$ 229,806
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< > mills	\$ < >
SUBTOTAL FOR GENERAL OPERATING:	10.456 mills	\$ 229,806
3. General Obligation Bonds and Interest ^J	31.369 mills	\$689,441
4. Contractual Obligations ^K	mills	\$
5. Capital Expenditures ^L	mills	\$
6. Refunds/Abatements ^M	mills	\$
7. Other ^N (specify): _____	mills	\$
_____	mills	\$
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	41.825 mills	919,247

Contact person: Carrie Bartow Daytime phone: (719) 635-0330
(print)
Signed:  Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the *taxing entity's* boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

- | | | |
|----|-------------------|--|
| 1. | Purpose of Issue: | Public Infrastructure |
| | Series: | \$17,800,000 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2019 |
| | Date of Issue: | July 30, 2019 |
| | Coupon Rate: | 6% |
| | Maturity Date: | December 1, 2049 |
| | Levy: | 31.369 |
| | Revenue: | \$689,441 |
| | | |
| 2. | Purpose of Issue: | _____ |
| | Series: | _____ |
| | Date of Issue: | _____ |
| | Coupon Rate: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

CONTRACTS^K:

- | | | |
|----|----------------------|-------|
| 3. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |
| | | |
| 4. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

Exhibit B
2021 Budgets

LETTER OF BUDGET TRANSMITTAL

Date: January 29, 2021

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2021 budget and budget message for FLYING HORSE METROPOLITAN DISTRICT NO. 1 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on December 10, 2020. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Carrie Bartow
_____ 111 South Tejon Street, Suite 705 _____
Colorado Springs, CO 80903
Tel.: 719-473-3630

I, Russell W. Dykstra, as General Counsel of the Flying Horse Metropolitan District No. 1, hereby certify that the attached is a true and correct copy of the 2021 budget.

By: */s/ Russell W. Dykstra*

**RESOLUTION
TO ADOPT 2021 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FLYING HORSE METROPOLITAN DISTRICT NO. 1**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2021 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FLYING HORSE METROPOLITAN DISTRICT NO. 1, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2021, AND ENDING ON THE LAST DAY OF DECEMBER, 2021,

WHEREAS, the Board of Directors of the Flying Horse Metropolitan District No. 1 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on December 10, 2020 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$0; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$0; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2020 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$60; and

WHEREAS, at an election held on November 4, 2004 the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLYING HORSE METROPOLITAN DISTRICT NO. 1 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Flying Horse Metropolitan District No. 1 for calendar year 2021.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2021 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2021 budget year, there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2020.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2021 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the

following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2020.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2021 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2020.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2021 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2020, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2020 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

[remainder of page intentionally left blank; signature page follows]

ADOPTED this 10th day of December, 2020.

FLYING HORSE METROPOLITAN
DISTRICT NO. 1



President

ATTEST:



Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FLYING HORSE METROPOLITAN DISTRICT NO. 1
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2021

**FLYING HORSE METROPOLITAN DISTRICT NO.1
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/28/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 36,340	\$ (26,395)	\$ 16,605
REVENUES			
Developer Advance	-	15,559,665	-
Intergovernmental Revenue - District No. 2	1,005,000	37,760,259	758,092
Intergovernmental Revenue - District No. 3	10,974,044	193,000	201,682
Total revenues	<u>11,979,044</u>	<u>53,512,924</u>	<u>959,774</u>
Total funds available	<u>12,015,384</u>	<u>53,486,529</u>	<u>976,379</u>
EXPENDITURES			
General Fund	843,735	825,000	943,775
Debt Service Fund	11,198,044	52,644,924	-
Total expenditures	<u>12,041,779</u>	<u>53,469,924</u>	<u>943,775</u>
Total expenditures and transfers out requiring appropriation	<u>12,041,779</u>	<u>53,469,924</u>	<u>943,775</u>
ENDING FUND BALANCES	<u>\$ (26,395)</u>	<u>\$ 16,605</u>	<u>\$ 32,604</u>
EMERGENCY RESERVE	\$ 23,400	\$ 26,000	\$ 28,800
OPERATIONAL RESERVE	-	-	3,804
TOTAL RESERVE	<u>\$ 23,400</u>	<u>\$ 26,000</u>	<u>\$ 32,604</u>

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/28/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION			
Vacant land	\$ 60	\$ 60	\$ 60
	60	60	60
Adjustments	-	-	-
Certified Assessed Value	\$ 60	\$ 60	\$ 60
 MILL LEVY			
Total mill levy	0.000	0.000	0.000
 PROPERTY TAXES			
Budgeted property taxes	\$ -	\$ -	\$ -
 BUDGETED PROPERTY TAXES			
	\$ -	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/28/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 36,340	\$ (26,395)	\$ 16,605
REVENUES			
Intergovernmental Revenue - District No. 2	605,000	675,000	758,092
Intergovernmental Revenue - District No. 3	176,000	193,000	201,682
Total revenues	781,000	868,000	959,774
TRANSFERS IN			
Transfers from other funds	-	-	-
Total funds available	817,340	841,605	976,379
EXPENDITURES			
General and administrative			
Accounting	-	10,000	34,200
Audit	5,597	5,600	13,200
Banking fees	66	350	250
District management	5,925	6,000	7,000
Dues and licenses	1,082	1,200	1,200
Insurance and bonds	10,004	11,000	18,000
Intergovernmental expenditures	19,061	23,900	-
Legal services	45,334	45,000	10,000
Miscellaneous	87	-	-
Operations and maintenance			
Contingency	7,800	3,300	10,000
Irrigation repair	-	26,000	30,000
Landscape improvements	-	18,000	55,000
Landscape maintenance	72,786	300,650	306,600
Lighting	5,200	1,500	1,200
Repairs and maintenance	290,657	-	-
Snow removal	31,085	10,500	33,125
Stormwater enterprise fees	-	30,000	30,000
Tower and other repairs	-	2,000	2,000
Utilities	349,051	330,000	392,000
Total expenditures	843,735	825,000	943,775
Total expenditures and transfers out requiring appropriation	843,735	825,000	943,775
ENDING FUND BALANCE	\$ (26,395)	\$ 16,605	\$ 32,604
EMERGENCY RESERVE	\$ 23,400	\$ 26,000	\$ 28,800
OPERATIONAL RESERVE	-	-	3,804
TOTAL RESERVE	\$ 23,400	\$ 26,000	\$ 32,604

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/28/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUES			
Developer advance	-	15,559,665	-
Intergovernmental Revenue - District No. 2	400,000	37,085,259	-
Intergovernmental Revenue - District No. 3	10,798,044	-	-
Total revenues	11,198,044	52,644,924	-
Total funds available	11,198,044	52,644,924	-
EXPENDITURES			
General and administrative			
Repay developer advance	-	17,120,019	-
Developer advance - Interest	-	1,608,417	-
Capital outlay	-	15,559,665	-
Debt Service			
Bond interest 2005 Series Bonds	10,944,058	1,010,809	-
Bond principal 2005 Series Bonds	253,986	17,346,014	-
Total expenditures	11,198,044	52,644,924	-
Total expenditures and transfers out requiring appropriation	11,198,044	52,644,924	-
ENDING FUND BALANCE	\$ -	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The Flying Horse Metropolitan District No.1 ("District No. 1"), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Consolidated Service Plan, approved by the City of Colorado Springs on August 24, 2004, formed the Flying Horse Metropolitan Districts Nos 1 – 3 ("The Districts")

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential and commercial development. The District was organized in conjunction with Flying Horse Metropolitan District No. 2 ("District No. 2") and Flying Horse Metropolitan District No. 3 ("District No. 3") to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the three districts. District No. 1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Intergovernmental Revenue

The intergovernmental revenue represents transfers from Flying Horse Metropolitan District Nos. 2 and 3 to provide funding for the overall administrative and operating costs for the Districts.

Expenditures

Administrative and Operations and Maintenance Expenditures

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance, landscaping, utilities, and other administrative expenses.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

2005 Series Bonds

In 2005, District #1 issued subordinated general obligation bonds. The bonds bear simple interest at an annual rate of 8.00% per annum to be paid to the bondholders annually on December 15. The bonds mature on December 1, 2035 and are subject to redemption prior to maturity at the discretion of District No. 1. The Bond Debt was repaid in full in August of 2020.

Developer Advances

The District entered into a Reimbursement Agreement (Agreement) with the Developer. The District agrees to repay the Developer along with accrued interest, at a rate of 8.00% beginning on the date the advance were made to the date of repayment. The Agreement does not constitute a multiple-fiscal year obligation.

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020
2005 Series Bonds	\$17,346,014	\$ -	\$ 17,346,014	\$ -
2005 Series Bonds - Accrued Interest	182,055	828,754	1,010,809	-
Developer Advances	4,927,130	15,559,665	17,120,019	3,366,776
Accrued Interest: Developer Advances	3,102,613	400,303	1,608,417	1,894,499
Total	<u>\$ 25,557,812</u>	<u>\$ 16,788,722</u>	<u>\$ 37,085,259</u>	<u>\$ 5,261,275</u>
	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021
Developer Advances	\$ 3,366,776	\$ -	\$ -	\$ 3,366,776
Accrued Interest: Developer Advances	1,894,499	269,342	-	2,163,841
Total	<u>\$ 5,261,275</u>	<u>\$ 269,342</u>	<u>\$ -</u>	<u>\$ 5,530,617</u>

The District has no operating or capital leases.

**FLYING HORSE METROPOLITAN DISTRICT NO.1
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserves

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2021, as defined under TABOR.

Operational Reserves

The District has adopted an operational reserve policy equivalent to a minimum of ninety (90) days of annually budgeted District expenditures.

This information is an integral part of the accompanying budget.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of El Paso County, Colorado.

On behalf of the FLYING HORSE METROPOLITAN DISTRICT NO. 1,
(taxing entity)^A

the Board of Directors
(governing body)^B

of the FLYING HORSE METROPOLITAN DISTRICT NO. 1
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 60 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 60 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2020 for budget/fiscal year 2021.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

<u>PURPOSE</u> <small>(see end notes for definitions and examples)</small>	<u>LEVY</u> ²	<u>REVENUE</u> ²
1. General Operating Expenses ^H	<u>0</u> mills	<u>\$ 0</u>
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	<u>< ></u> mills	<u>\$ < ></u>
SUBTOTAL FOR GENERAL OPERATING:	<u>0</u> mills	<u>\$ 0</u>
3. General Obligation Bonds and Interest ^J	_____ mills	\$ _____
4. Contractual Obligations ^K	<u>0</u> mills	<u>\$ 0</u>
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
_____	_____ mills	\$ _____
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	<u>0</u> mills	<u>0</u>

Contact person: Carrie Bartow Daytime phone: (719) 635-0330

Signed: *Carrie Bartow* Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the *taxing entity's* boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

1. Purpose of Issue: _____
Series: _____
Date of Issue: _____
Coupon Rate: _____
Maturity Date: _____
Levy: _____
Revenue: _____

2. Purpose of Issue: _____
Series: _____
Date of Issue: _____
Coupon Rate: _____
Maturity Date: _____
Levy: _____
Revenue: _____

CONTRACTS^K:

3. Purpose of Contract: _____
Title: _____
Date: _____
Principal Amount: _____
Maturity Date: _____
Levy: _____
Revenue: _____

4. Purpose of Contract: _____
Title: _____
Date: _____
Principal Amount: _____
Maturity Date: _____
Levy: _____
Revenue: _____

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

LETTER OF BUDGET TRANSMITTAL

Date: January 29, 2021

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2021 budget and budget message for FLYING HORSE METROPOLITAN DISTRICT NO. 2 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on December 10, 2020. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Carrie Bartow
_____ 111 South Tejon Street, Suite 705 _____
Colorado Springs, CO 80903
Tel.: 719-473-3630

I, Russell W. Dykstra, as General Counsel of the Flying Horse Metropolitan District No. 2, hereby certify that the attached is a true and correct copy of the 2021 budget.

By: */s/ Russell W. Dykstra*

**RESOLUTION
TO ADOPT 2021 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FLYING HORSE METROPOLITAN DISTRICT NO. 2**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2021 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FLYING HORSE METROPOLITAN DISTRICT NO. 2, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2021, AND ENDING ON THE LAST DAY OF DECEMBER, 2021,

WHEREAS, the Board of Directors of the Flying Horse Metropolitan District No. 2 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on December 10, 2020 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$695,329; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$2,189,361; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2020 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$66,095,910; and

WHEREAS, at an election held on November 7, 2006 the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLYING HORSE METROPOLITAN DISTRICT NO. 2 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Flying Horse Metropolitan District No. 2 for calendar year 2021.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2021 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2021 budget year, there is hereby levied a tax of 10.520 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2020.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2021 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the

following "Certification of Tax Levies," there is hereby levied a tax of 33.124 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2020.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2021 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2020.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2021 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2020, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2020 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

[remainder of page intentionally left blank; signature page follows]

ADOPTED this 10th day of December, 2020.

FLYING HORSE METROPOLITAN
DISTRICT NO. 2



President

ATTEST:



Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FLYING HORSE METROPOLITAN DISTRICT NO. 2
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2021

FLYING HORSE METROPOLITAN DISTRICT NO.2
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/18/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 2,265,950	\$ 2,113,198	\$ 51,259
REVENUES			
Property taxes	2,283,076	2,655,591	2,884,690
Specific ownership tax	276,373	264,000	288,469
Interest income	32,398	24,196	24,200
Facilities fees	175,720	144,000	144,000
Other revenue	-	-	5,000
Intergovernmental revenues	10,037	26,275	2,300
Bond proceeds	-	59,338,252	-
Total revenues	<u>2,777,604</u>	<u>62,452,314</u>	<u>3,348,659</u>
Total funds available	<u>5,043,554</u>	<u>64,565,512</u>	<u>3,399,918</u>
EXPENDITURES			
General Fund	624,484	714,779	773,522
Debt Service Fund	2,305,872	63,799,474	2,224,690
Total expenditures	<u>2,930,356</u>	<u>64,514,253</u>	<u>2,998,212</u>
Total expenditures and transfers out requiring appropriation	<u>2,930,356</u>	<u>64,514,253</u>	<u>2,998,212</u>
ENDING FUND BALANCES	<u>\$ 2,113,198</u>	<u>\$ 51,259</u>	<u>\$ 401,706</u>
DEBT SERVICE RESERVE	\$ -	\$ -	\$ -
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance is provided. See summary of significant assumptions.

FLYING HORSE METROPOLITAN DISTRICT NO.2
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/18/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION			
Residential	\$ 52,796,370	\$ 55,923,700	\$ 60,030,350
Commercial	-	38,810	44,660
Agricultural	-	2,990	-
State assessed	-	99,870	92,580
Vacant land	-	4,781,280	5,928,320
	<u>52,796,370</u>	<u>60,846,650</u>	<u>66,095,910</u>
Adjustments	-	-	-
Certified Assessed Value	<u>\$ 52,796,370</u>	<u>\$ 60,846,650</u>	<u>\$ 66,095,910</u>
MILL LEVY			
General	10.462	10.520	10.520
Debt Service	32.775	33.124	33.124
Total mill levy	<u>43.237</u>	<u>43.644</u>	<u>43.644</u>
PROPERTY TAXES			
General	\$ 552,356	\$ 640,107	\$ 695,329
Debt Service	1,730,401	2,015,484	2,189,361
Levied property taxes	<u>2,282,757</u>	<u>2,655,591</u>	<u>2,884,690</u>
Adjustments to actual/rounding	319	-	-
Budgeted property taxes	<u>\$ 2,283,076</u>	<u>\$ 2,655,591</u>	<u>\$ 2,884,690</u>
BUDGETED PROPERTY TAXES			
General	\$ 552,434	\$ 640,107	\$ 695,329
Debt Service	1,730,642	2,015,484	2,189,361
	<u>\$ 2,283,076</u>	<u>\$ 2,655,591</u>	<u>\$ 2,884,690</u>

No assurance is provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/18/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 5,586	\$ 8,147	\$ 6,706
REVENUES			
Property taxes	552,434	640,107	695,329
Specific ownership tax	66,874	63,635	69,533
Interest Income	-	196	200
Other revenue	-	-	5,000
Intergovernmental revenues	7,737	9,400	-
Total revenues	627,045	713,338	770,062
Total funds available	632,631	721,485	776,768
EXPENDITURES			
General and administrative			
Audit	5,425	5,600	-
County Treasurer's fee	8,291	9,650	10,430
Dues and membership	299	800	-
Insurance and bonds	2,013	3,000	-
Miscellaneous	-	3,000	5,000
Banking fees	3,456	29	-
Intergovernmental expenditure - District No. 1	605,000	692,700	758,092
Total expenditures	624,484	714,779	773,522
Total expenditures and transfers out requiring appropriation	624,484	714,779	773,522
ENDING FUND BALANCE	\$ 8,147	\$ 6,706	\$ 3,246

No assurance is provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/28/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 2,260,364	\$ 2,105,051	\$ 44,553
REVENUES			
Property taxes	1,730,642	2,015,484	2,189,361
Specific ownership tax	209,499	200,365	218,936
Interest income	32,398	24,000	24,000
Facilities fees	175,720	144,000	144,000
Intergovernmental revenues	2,300	16,875	2,300
Bond proceeds	-	59,338,252	-
Total revenues	2,150,559	61,738,976	2,578,597
Total funds available	4,410,923	63,844,027	2,623,150
EXPENDITURES			
General and administrative			
County Treasurer's fee	25,972	30,384	32,840
Banking fees	-	60	-
Intergovernmental expenditure - District No. 1	400,000	37,085,259	-
Paying agent fees	2,300	2,300	2,300
Debt Service			
Bond interest - Series 2013A	279,600	181,028	-
Bond interest - Series 2013B	1,258,000	807,217	-
Bond interest - Series 2020A	-	487,647	1,526,550
Bond interest - Series 2020B	-	292,768	283,000
Bond principal - Series 2013A	340,000	6,650,000	-
Bond principal - Series 2013B	-	15,725,000	-
Bond principal - Series 2020A	-	-	380,000
Insurance and bonds	-	292,603	-
Bond redemption premium	-	314,500	-
Bond yield maintenance penalty	-	1,018,230	-
Bond issue costs	-	912,478	-
Total expenditures	2,305,872	63,799,474	2,224,690
Total expenditures and transfers out requiring appropriation	2,305,872	63,799,474	2,224,690
ENDING FUND BALANCE	\$ 2,105,051	\$ 44,553	\$ 398,460

No assurance is provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The Flying Horse Metropolitan District No. 2 ("District"), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Preliminary Consolidated Service Plan, approved by the City of Colorado Springs on August 24, 2004, formed the Flying Horse Metropolitan Districts Nos 1 – 3 ("The Districts") as 'shell districts' which could not operate until an amended service plan was approved.

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential development. The District was organized in conjunction with two other related districts, Flying Horse Metropolitan District No. 1 ("District No. 1"), the Operating District, and Flying Horse Metropolitan District No. 3 ("District No. 2"), 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's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (Continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the total property taxes collected.

Facility Fees

The District will assess and charge a facility fee against all properties within the Districts. Facilities fees are due and payable to the District upon the earlier of the issuance of a building permit by the Regional Building Department or the sale of a platted lot. Any unpaid fees that are due and owing bear interest at a rate of 12.00% per annum. Under the agreement, the developer will prepay fees to the District if there is a shortfall relative to the projected and agreed-upon schedule. In the event the District receives fees in any semi-annual period in excess of the amount, such excess payments are carried forward and credited against future required payments. Facility fees will be used to pay for the District's bond obligations.

Investment Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

Expenditures

Intergovernmental Expenditures

All administrative expenditures such as legal, accounting, management, insurance, including costs for snow removal and landscape maintenance, are paid through and by District No. 1, the Operating District. The District will transfer net revenues collected from its operational mill levy, as well as the current, unpledged revenue from its debt service fund, to District No. 1 to cover a portion of these costs.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt Service

Principal and interest payments are provided based on the debt amortization schedule from the Series 2020A Bonds (discussed under Debt and Leases).

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

In 2013, Districts #2 issued general obligation limited tax refunding bonds to replace the Series 2005 Bonds. The bonds were issued in two separate issuances: the Series 2013A and Series 2013B Bonds for a combined amount of \$24,225,000. The interest rate on the 2013A Bonds is 4.00% per annum and the rate on the Series 2013B Bonds is 8.00% per annum. Interest on the 2013A Bonds is payable to the bondholders semi-annually on each June 1 and December 1, commencing December 1, 2013. The 2013B Bonds did not bear interest from the date of issuance to December 15, 2017. Commencing December 15, 2017, interest accrued on the Series 2013B Bonds at 8.00% per annum, and are payable annually on December 15 each year, commencing December 15, 2018. The Series 2013A Bonds mature on December 1, 2033 and the Series 2013B Bonds mature on December 15, 2042. The 2013B Bonds were issued at a discount of \$4,574,560 which represents the present value, at issuance, of interest payments that were not required from the date of issuance through December 15, 2017. The bond debt will be repaid from the proceeds of an ad valorem property tax and a specific ownership tax on the taxable property within District #2 and facilities fees through an agreement with the developer. The Series 2020 bonds were used to refinance the 2013 Series Bonds.

On August 8, 2020, the District issued \$36,595,000 in Series 2020A General Obligation Refunding and Improvement Bonds and \$15,405,000 in Series 2020B Subordinate General Obligation Limited Tax Bonds. The interest rate on the 2020A Bonds is 4.00%-5.00% per annum and the rate on the Series 2020B Bonds is 7.25% per annum. Interest on the 2020A Bonds is payable to the bondholders semi-annually on each June 1 and December 1, commencing December 1, 2020. The Series 2020B Bonds of \$15,405,000 are term bonds due December 15, 2050. The Bonds are special limited obligations of the District secured by and payable from the pledged revenues, consisting of the following source: (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result on the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenues.

	Balance - December 31, 2019	Additions	Deletions	Balance - December 31, 2020
Series 2013A Bonds - Principal	\$ 6,650,000	\$ -	\$ 6,650,000	\$ -
Series 2013B Bonds - Principal	15,725,000	-	15,725,000	-
Series 2020A Bonds - Principal	-	36,595,000	-	36,595,000
Series 2020A Bonds - Premium	-	7,338,252	120,420	7,217,832
Series 2020B Bonds - Principal	-	15,405,000	-	15,405,000
Series 2020B Bonds - Accrued Interest	-	456,052	292,768	163,284
Total Long Term Obligations	\$22,375,000	\$59,794,304	\$22,788,188	\$59,381,116

**FLYING HORSE METROPOLITAN DISTRICT NO.2
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (Continued)

	Balance -			Balance -
	December 31,			December 31,
	2020	Additions	Deletions	2021
Series 2020A Bonds -				
Principal	\$36,595,000	\$ -	\$ 380,000	\$36,215,000
Series 2020A Bonds -				
Premium	7,217,832	-	376,968	6,840,864
Series 2020B Bonds -				
Principal	15,405,000	-	-	15,405,000
Series 2020B Bonds -				
Accrued Interest	163,284	1,116,863	283,000	997,147
Total Long Term Obligations	\$59,381,116	\$ 1,116,863	\$ 1,039,968	\$59,458,010

The District has no operating or capital leases.

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all three Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2021 budget.

This information is an integral part of the accompanying budget.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
2021 BUDGET**

\$36,595,000

General Obligation Limited Tax Refunding Bonds Series 2020A

Dated August 8, 2020

Interest Rate 4.00% - 5.00%

Interest due June 1 and December 1

Principal due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total All Bonds</u>
2021	380,000	1,526,550	1,906,550
2022	450,000	1,511,350	1,961,350
2023	470,000	1,493,350	1,963,350
2024	525,000	1,474,550	1,999,550
2025	545,000	1,453,550	1,998,550
2026	605,000	1,431,750	2,036,750
2027	635,000	1,401,500	2,036,500
2028	705,000	1,369,750	2,074,750
2029	740,000	1,334,500	2,074,500
2030	815,000	1,297,500	2,112,500
2031	855,000	1,256,750	2,111,750
2032	935,000	1,214,000	2,149,000
2033	985,000	1,167,250	2,152,250
2034	1,070,000	1,118,000	2,188,000
2035	1,115,000	1,075,200	2,190,200
2036	1,200,000	1,030,600	2,230,600
2037	1,250,000	982,600	2,232,600
2038	1,340,000	932,600	2,272,600
2039	1,395,000	879,000	2,274,000
2040	1,490,000	823,200	2,313,200
2041	1,550,000	763,600	2,313,600
2042	1,655,000	701,600	2,356,600
2043	1,725,000	635,400	2,360,400
2044	1,790,000	566,400	2,356,400
2045	1,865,000	494,800	2,359,800
2046	1,940,000	420,200	2,360,200
2047	2,015,000	342,600	2,357,600
2048	2,100,000	262,000	2,362,000
2049	2,180,000	178,000	2,358,000
2050	2,270,000	90,800	2,360,800
Total	\$ 36,595,000	\$ 29,228,950	\$ 65,823,950

No assurance provided. See summary of significant assumptions.

CERTIFICATION OF TAX LEVIES for NON-SCHOOL Governments

TO: County Commissioners¹ of El Paso County, Colorado.

On behalf of the FLYING HORSE METROPOLITAN DISTRICT NO. 2,
(taxing entity)^A

the Board of Directors
(governing body)^B

of the FLYING HORSE METROPOLITAN DISTRICT NO. 2
(local government)^C

Hereby officially certifies the following mills to be levied against the taxing entity's GROSS \$ 66,095,910 assessed valuation of: (GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)

Note: If the assessor certified a NET assessed valuation (AV) different than the GROSS AV due to a Tax Increment Financing (TIF) Area^F the tax levies must be calculated using the NET AV. The taxing entity's total property tax revenue will be derived from the mill levy multiplied against the NET assessed valuation of: \$ 66,095,910 (NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)
USE VALUE FROM FINAL CERTIFICATION OF VALUATION PROVIDED BY ASSESSOR NO LATER THAN DECEMBER 10

Submitted: 12/10/2020 for budget/fiscal year 2021.
(no later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	<u>10.520</u> mills	<u>\$ 695,329</u>
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	<u>< ></u> mills	<u>\$ < ></u>
SUBTOTAL FOR GENERAL OPERATING:	<u>10.520</u> mills	<u>\$ 695,329</u>
3. General Obligation Bonds and Interest ^J	<u>33.124</u> mills	<u>\$ 2,189,361</u>
4. Contractual Obligations ^K	_____ mills	\$ _____
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
	_____ mills	\$ _____
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	<u>43.644</u> mills	<u>2,884,690</u>

Contact person: Carrie Bartow Daytime phone: (719) 635-0330
(print)

Signed: *Carrie Bartow* Title: Accountant for the District

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1313 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 864-7720.

¹ If the *taxing entity's* boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.
² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's **FINAL** certification of valuation).

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

- | | | |
|----|-------------------|--|
| 1. | Purpose of Issue: | <u>Public Infrastructure</u> |
| | Series: | <u>\$35,595,000 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020A</u> |
| | Date of Issue: | <u>August 6, 2020</u> |
| | Coupon Rate: | <u>4% and 5%</u> |
| | Maturity Date: | <u>2050</u> |
| | Levy: | <u>33.124</u> |
| | Revenue: | <u>\$2,189,361</u> |
| | | |
| 2. | Purpose of Issue: | <u>Public Infrastructure</u> |
| | Series: | <u>\$15,405,000 Subordinate General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020B</u> |
| | Date of Issue: | <u>August 6, 2020</u> |
| | Coupon Rate: | <u>7.250%</u> |
| | Maturity Date: | <u>2050</u> |
| | Levy: | <u>0</u> |
| | Revenue: | <u>\$0</u> |

CONTRACTS^K:

- | | | |
|----|----------------------|-------|
| 3. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |
| | | |
| 4. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

LETTER OF BUDGET TRANSMITTAL

Date: January 29, 2021

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2021 budget and budget message for FLYING HORSE METROPOLITAN DISTRICT NO. 3 in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on December 10, 2020. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Carrie Bartow
_____ 111 South Tejon Street, Suite 705 _____
Colorado Springs, CO 80903
Tel.: 719-473-3630

I, Russell W. Dykstra, as General Counsel of the Flying Horse Metropolitan District No. 3, hereby certify that the attached is a true and correct copy of the 2021 budget.

By: */s/ Russell W. Dykstra*

**RESOLUTION
TO ADOPT 2021 BUDGET, APPROPRIATE SUMS OF MONEY,
AND AUTHORIZE THE CERTIFICATION OF THE TAX LEVY
FLYING HORSE METROPOLITAN DISTRICT NO. 3**

A RESOLUTION SUMMARIZING REVENUES AND EXPENDITURES FOR EACH FUND, ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 2021 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO THE VARIOUS FUNDS IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FLYING HORSE METROPOLITAN DISTRICT NO. 3, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2021, AND ENDING ON THE LAST DAY OF DECEMBER, 2021,

WHEREAS, the Board of Directors of the Flying Horse Metropolitan District No. 3 has authorized its consultants to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget was available for inspection by the public at a designated public office, a public hearing was held on December 10, 2020 and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues or planned to be expended from reserves or fund balances so that the budget remains in balance, as required by law; and

WHEREAS, the amount of money necessary to balance the budget for general operating purposes from property tax revenue is \$185,584; and

WHEREAS, the Board of Directors finds that it is required to temporarily lower the operating mill levy to render a refund for \$0; and

WHEREAS, the amount of money necessary to balance the budget for voter-approved bonds and interest is \$570,913; and

WHEREAS, the amount of money necessary to balance the budget for contractual obligation purposes from property tax revenue as approved by voters from property tax revenue is \$0; and

WHEREAS, the amount of money necessary to balance the budget for capital expenditure purposes from property tax revenue as approved by voters or at public hearing is \$0; and

WHEREAS, the amount of money necessary to balance the budget for refunds/abatements is \$0; and

WHEREAS, the 2020 valuation for assessment for the District as certified by the County Assessor of El Paso County is \$18,086,320; and

WHEREAS, at an election held on November 4, 2004 the District has eliminated the revenue and expenditure limitations imposed on governmental entities by Article X, Section 20 of the Colorado Constitution and Section 29-1-301, C.R.S., as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLYING HORSE METROPOLITAN DISTRICT NO. 3 OF EL PASO COUNTY, COLORADO:

Section 1. Adoption of Budget. That the budget as submitted, and attached hereto and incorporated herein by this reference, and if amended, then as amended, is hereby approved and adopted as the budget of the Flying Horse Metropolitan District No. 3 for calendar year 2021.

Section 2. Budget Revenues. That the estimated revenues for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 3. Budget Expenditures. That the estimated expenditures for each fund as more specifically set out in the budget attached hereto are accepted and approved.

Section 4. Levy of General Property Taxes. That the Board of Directors does hereby certify the levy of general property taxes for collection in 2021 as follows:

A. Levy for General Operating and Other Expenses. That for the purposes of meeting all general operating expense of the District during the 2021 budget year, there is hereby levied a tax of 10.261 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2020.

B. Temporary Tax Credit or Rate Reduction. That pursuant to Section 39-1-111.5, C.R.S. for the purposes of effect of a refund for the purposes set forth in Section 20 of Article X of the Colorado Constitution, there is hereby certified a temporary property tax credit or temporary mill levy rate reduction of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

C. Levy for General Obligation Bonds and Interest. That for the purposes of meeting all debt retirement expense of the District during the 2021 budget year, as the funding requirements of the current outstanding general obligation indebtedness is detailed in the

following "Certification of Tax Levies," there is hereby levied a tax of 31.566 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2020.

D. Levy for Contractual Obligations. That for the purposes of meeting the contractual obligation expense of the District during the 2021 budget year, as detailed in the following "Certification of Tax Levies," there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation for assessment of all taxable property within the District for the year 2020.

E. Levy for Capital Expenditures. That for the purposes of meeting all capital expenditures of the District during the 2021 budget year pursuant to Section 29-1-301(1.2) or 29-1-302(1.5), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

F. Levy for Refunds/Abatements. That for the purposes of recoupment of refunds/abatements of taxes pursuant to Section 39-10-114(1)(a)(I)(B), C.R.S., there is hereby levied a tax of 0.000 mills upon each dollar of the total valuation of assessment of all taxable property within the boundaries of the District for the year 2020.

Section 5. Property Tax and Fiscal Year Spending Limits. That, being fully informed, the Board finds that the foregoing budget and mill levies do not result in a violation of any applicable property tax or fiscal year spending limitation.

Section 6. Certification. That the appropriate officers of the District are hereby authorized and directed to certify by December 15, 2020, to the Board of County Commissioners of El Paso County, Colorado, the mill levies for the District herein above determined and set, or be authorized and directed to certify to the Board of County Commissioners of El Paso County, Colorado, as herein above determined and set, but as recalculated as needed upon receipt of the final certification of valuation from the County Assessor on or about December 10, 2020 in order to comply with any applicable revenue and other budgetary limits or to implement the intent of the District. That said certification shall be in substantially the form set out and attached hereto and incorporated herein by this reference.

Section 7. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

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ADOPTED this 10th day of December, 2020.

FLYING HORSE METROPOLITAN
DISTRICT NO. 3



President

ATTEST:



Secretary

ATTACH COPY OF THE ADOPTED BUDGET AND
THE CERTIFICATION OF TAX LEVIES

FLYING HORSE METROPOLITAN DISTRICT NO. 3
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2021

**FLYING HORSE METROPOLITAN DISTRICT NO.3
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ 14,589	\$ 24,091	\$ 29,980
REVENUES			
Property taxes	692,809	726,542	756,497
Specific ownership tax	84,002	72,000	75,649
Interest income	3,492	25	-
Other revenue	-	21	5,000
Intergovernmental revenues	9,024	12,200	-
Bond proceeds	17,800,000	-	-
Total revenues	<u>18,589,327</u>	<u>810,788</u>	<u>837,146</u>
Total funds available	<u>18,603,916</u>	<u>834,879</u>	<u>867,126</u>
EXPENDITURES			
General Fund	186,606	204,723	209,466
Debt Service Fund	18,393,219	600,176	650,214
Total expenditures	<u>18,579,825</u>	<u>804,899</u>	<u>859,680</u>
Total expenditures and transfers out requiring appropriation	<u>18,579,825</u>	<u>804,899</u>	<u>859,680</u>
ENDING FUND BALANCES	<u>\$ 24,091</u>	<u>\$ 29,980</u>	<u>\$ 7,446</u>
DEBT SERVICE RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No assurance provided. See summary of significant assumptions.

FLYING HORSE METROPOLITAN DISTRICT NO.3
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,

1/27/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION			
Residential	\$ 16,686,320	\$ 8,010,770	\$ 8,114,620
Commercial	-	7,610,480	7,382,650
Agricultural	-	9,520	8,820
State assessed	-	14,780	5,040
Vacant land	-	1,724,620	2,575,190
	<u>16,686,320</u>	<u>17,370,170</u>	<u>18,086,320</u>
Adjustments	-	-	-
Certified Assessed Value	<u>\$ 16,686,320</u>	<u>\$ 17,370,170</u>	<u>\$ 18,086,320</u>
MILL LEVY			
General	10.226	10.261	10.261
Debt Service	31.355	31.566	31.566
Total mill levy	<u>41.581</u>	<u>41.827</u>	<u>41.827</u>
PROPERTY TAXES			
General	\$ 170,634	\$ 178,235	\$ 185,584
Debt Service	523,200	548,307	570,913
Levied property taxes	<u>693,834</u>	<u>726,542</u>	<u>756,497</u>
Adjustments to actual/rounding	(1,025)	-	-
Budgeted property taxes	<u>\$ 692,809</u>	<u>\$ 726,542</u>	<u>\$ 756,497</u>
BUDGETED PROPERTY TAXES			
General	\$ 170,382	\$ 178,235	\$ 185,584
Debt Service	522,427	548,307	570,913
	<u>\$ 692,809</u>	<u>\$ 726,542</u>	<u>\$ 756,497</u>

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 1,766	\$ 7,849	\$ 7,770
REVENUES			
Property taxes	170,382	178,235	185,584
Specific ownership tax	20,658	17,663	18,558
Other revenue	-	21	5,000
Intergovernmental revenues	1,649	8,700	-
Total revenues	192,689	204,644	209,142
Total funds available	194,455	212,493	216,912
EXPENDITURES			
General and administrative			
Audit	5,425	5,600	-
County Treasurer's fee	2,556	2,723	2,784
Dues and membership	256	600	-
Insurance and bonds	2,013	2,500	-
Miscellaneous	-	-	5,000
Banking fees	356	300	-
Intergovernmental expenditure - District No. 1	176,000	193,000	201,682
Total expenditures	186,606	204,723	209,466
Total expenditures and transfers out requiring appropriation	186,606	204,723	209,466
ENDING FUND BALANCE	\$ 7,849	\$ 7,770	\$ 7,446

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/27/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ 12,823	\$ 16,242	\$ 22,210
REVENUES			
Property taxes	522,427	548,307	570,913
Specific ownership tax	63,344	54,337	57,091
Interest income	3,492	-	-
Intergovernmental revenues	7,375	3,500	-
Bond proceeds	17,800,000	-	-
Total revenues	18,396,638	606,144	628,004
Total funds available	18,409,461	622,386	650,214
EXPENDITURES			
General and administrative			
County Treasurer's fee	7,836	8,376	8,564
Insurance and bonds	521,286	-	-
Intergovernmental expenditure - District No. 1	10,798,044	-	-
Paying agent fees	7,375	3,500	3,500
Debt Service			
Bond interest	1,163,678	588,300	638,150
Bond principal	5,895,000	-	-
Total expenditures	18,393,219	600,176	650,214
Total expenditures and transfers out requiring appropriation	18,393,219	600,176	650,214
ENDING FUND BALANCE	\$ 16,242	\$ 22,210	\$ -
DEBT SERVICE RESERVE	\$ -	\$ -	\$ -
TOTAL RESERVE	\$ -	\$ -	\$ -

No assurance provided. See summary of significant assumptions.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The Flying Horse Metropolitan District No. 3 (“District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on November 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Consolidated Service Plan, approved by the City of Colorado Springs on August 24, 2004, formed the Flying Horse Metropolitan Districts Nos 1 – 3 (“The Districts”) as ‘shell districts’ which could not operate until an amended service plan was approved.

The District was organized to provide planning, acquisition, construction, installation and financing of public improvements, including streets, water, wastewater, traffic and safety, park and recreation, mosquito control, television relay and transportation facilities, primarily for residential development. The District was organized in conjunction with two other related districts, Flying Horse Metropolitan District No. 1 (“District No. 1”), the Operating District, and Flying Horse Metropolitan District No. 2 (“District No. 2”), 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's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (Continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the total property taxes collected.

Investment Income

Interest earned on the District's available funds has been estimated based on historical interest earnings.

Expenditures

Intergovernmental Expenditures

All administrative expenditures such as legal, accounting, management, insurance, including costs for snow removal and landscape maintenance, are paid through and by District No. 1, the Operating District. The District will transfer net revenues collected from its operational mill levy, as well as the current, unpledged revenue from its debt service fund, to District No. 1 to cover a portion of these costs.

County Treasurer's Fees

County Treasurer's collection fees have been computed at 1.5% of property taxes.

Debt and Leases

On July 30, 2019 the District #3 issued the 2019A Bonds in the amount of \$17,800,000. The 2019A Bonds bear interest at an annual rate of 6.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months, through maturity on December 1, 2041. Interest is payable to the bondholders semi-annually on each June 1 and December 1. To the extent principal of any Bond is not paid when due, such principal will remain outstanding until the termination date of December 2, 2059 and will continue to bear interest at the rate then borne by the bond. Any amounts not paid by the termination date will be deemed paid, satisfied, and discharged, regardless of the amount of principal and interest paid prior to the termination date.

The District has no operating or capital leases.

**FLYING HORSE METROPOLITAN DISTRICT NO.3
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)

	Balance - December 31, 2019	Additions	Deletions	Balance - December 31, 2020
Series 2019 Bonds - Principal	\$17,800,000	\$ -	\$ -	\$17,800,000
Series 2019 Bonds - Accrued Interest	244,781	1,068,000	588,300	724,481
Total Long Term Obligations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$18,044,781</u>	<u>\$ 1,068,000</u>	<u>\$ 588,300</u>	<u>\$18,524,481</u>
	Balance - December 31, 2020	Additions	Deletions	Balance - December 31, 2021
Series 2019 Bonds - Principal	\$17,800,000	\$ -	\$ -	\$17,800,000
Series 2019 Bonds - Accrued Interest	724,481	1,068,000	638,150	1,154,331
Total Long Term Obligations	<u>\$18,524,481</u>	<u>\$ 1,068,000</u>	<u>\$ 638,150</u>	<u>\$18,954,331</u>

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all three Districts' operations and maintenance costs, an Emergency Reserve is not reflected in the District's 2021 budget.

This information is an integral part of the accompanying budget.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
2021 BUDGET**

\$17,800,000

General Obligation Limited Tax Refunding Bonds Series 2019

Dated July 30, 2019

Interest Rate 6.00%

Interest due June 1 and December 1

Principal due December 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total All Bonds</u>
2021	-	1,068,000	1,068,000
2022	-	1,068,000	1,068,000
2023	-	1,068,000	1,068,000
2024	-	1,068,000	1,068,000
2025	-	1,068,000	1,068,000
2026	-	1,068,000	1,068,000
2027	-	1,068,000	1,068,000
2028	172,000	1,068,000	1,240,000
2029	927,000	1,057,680	1,984,680
2030	1,022,000	1,002,060	2,024,060
2031	1,084,000	940,740	2,024,740
2032	1,189,000	875,700	2,064,700
2033	1,261,000	804,360	2,065,360
2034	1,378,000	728,700	2,106,700
2035	1,460,000	646,020	2,106,020
2036	1,590,000	558,420	2,148,420
2037	1,685,000	463,020	2,148,020
2038	1,830,000	361,920	2,191,920
2039	1,939,000	252,120	2,191,120
2040	2,100,000	135,780	2,235,780
2041	163,000	9,780	172,780
Total	<u>\$ 17,800,000</u>	<u>\$ 16,380,300</u>	<u>\$ 34,180,300</u>

No assurance provided. See summary of significant assumptions.

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are

Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

- | | | |
|----|-------------------|--|
| 1. | Purpose of Issue: | Public Infrastructure |
| | Series: | \$17,800,000 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2019 |
| | Date of Issue: | July 19, 2020 |
| | Coupon Rate: | 6% |
| | Maturity Date: | December 1, 2049 |
| | Levy: | 31.566 |
| | Revenue: | \$570,913 |
| | | |
| 2. | Purpose of Issue: | _____ |
| | Series: | _____ |
| | Date of Issue: | _____ |
| | Coupon Rate: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

CONTRACTS^K:

- | | | |
|----|----------------------|-------|
| 3. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |
| | | |
| 4. | Purpose of Contract: | _____ |
| | Title: | _____ |
| | Date: | _____ |
| | Principal Amount: | _____ |
| | Maturity Date: | _____ |
| | Levy: | _____ |
| | Revenue: | _____ |

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.

Exhibit C
Financial Statements

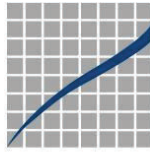
**FLYING HORSE METROPOLITAN
DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2021**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Flying Horse Metropolitan District No. 1
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Flying Horse Metropolitan District No. 1 ("District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position, and the budgetary comparison schedule for the general fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

BiggsKofford, P.C.

Colorado Springs, Colorado

July 21, 2022

BASIC FINANCIAL STATEMENTS

FLYING HORSE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 153,300
Cash and Investments - Restricted	30,100
Prepaid Expenses	445
Capital Assets, Net	<u>1,894,843</u>
Total Assets	<u>2,078,688</u>
LIABILITIES	
Accounts Payable	41,182
Noncurrent Liabilities:	
Due in More Than One Year	<u>5,530,617</u>
Total Liabilities	<u>5,571,799</u>
NET POSITION	
Net Investment in Capital Assets	1,853,839
Restricted For:	
Emergency Reserves	30,100
Unrestricted	<u>(5,377,050)</u>
Total Net Position	<u><u>\$ (3,493,111)</u></u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	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				
Government Activities:				
General Government	\$ 1,089,302	\$ -	\$ -	\$ (1,089,302)
Intergovernmental	10,500	-	-	(10,500)
Interest and Related Costs on on Long-Term Debt	269,342	-	-	(269,342)
Total Government Activities	\$ 1,369,144	\$ -	\$ -	(1,369,144)
GENERAL REVENUES				
Intergovernmental Revenues - District No. 2				796,000
Intergovernmental Revenues - District No. 3				205,000
Net Investment Income				1,330
Total General Revenues				1,002,330
CHANGE IN NET POSITION				(366,814)
Net Position - Beginning of Year				(3,126,297)
NET POSITION - END OF YEAR				\$ (3,493,111)

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Total Governmental Funds
ASSETS		
Cash and Investments	\$ 153,300	\$ 153,300
Cash and Investments - Restricted	30,100	30,100
Prepaid Insurance	445	445
	<u>\$ 183,845</u>	<u>\$ 183,845</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 41,182	\$ 41,182
Total Liabilities	<u>41,182</u>	<u>41,182</u>
FUND BALANCES		
Nonspendable:		
Prepaid Expenses	445	445
Restricted For:		
Emergencies Reserves	30,100	30,100
Unassigned:		
General Government	112,118	112,118
Total Fund Balances	<u>142,663</u>	<u>142,663</u>
Total Liabilities and Fund Balances	<u>\$ 183,845</u>	
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets, Net		1,894,843
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.		
Developer Advance Payable		(3,366,776)
Accrued Interest on Developer Advance		<u>(2,163,841)</u>
Net Position of Governmental Activities		<u>\$ (3,493,111)</u>

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Total Governmental Funds
REVENUES		
Intergovernmental Revenues - District No. 2	\$ 796,000	\$ 796,000
Intergovernmental Revenues - District No. 3	205,000	205,000
Other Income	1,330	1,330
Total Revenues	1,002,330	1,002,330
EXPENDITURES		
Current:		
Accounting	24,978	24,978
Auditing	13,258	13,258
Dues and Licenses	1,451	1,451
Insurance and Bonds	16,475	16,475
District Management	5,475	5,475
Legal Services	8,463	8,463
Banking Fees	12	12
Landscape Improvements	37,660	37,660
Intergovernmental Expenditures	10,500	10,500
Utilities	357,930	357,930
Lighting	1,731	1,731
Irrigation	16,233	16,233
Landscape Maintenance	344,629	344,629
Snow Removal	2,100	2,100
Stormwater Fees	35,053	35,053
Repairs and Maintenance	11,161	11,161
Total Expenditures	887,109	887,109
NET CHANGE IN FUND BALANCES	115,221	115,221
Fund Balances - Beginning of Year	27,442	27,442
FUND BALANCES - END OF YEAR	\$ 142,663	\$ 142,663

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$ 115,221
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.</p>	
Depreciation	(212,693)
<p>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:</p>	
Accrued Interest on Developer Advances - Change in Liability	<u>(269,342)</u>
Changes in Net Position of Governmental Activities	<u><u>\$ (366,814)</u></u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original And Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenues - District No. 2	\$ 758,092	\$ 796,000	\$ 37,908
Intergovernmental Revenues - District No. 3	201,682	205,000	3,318
Other Income	-	1,330	1,330
Total Revenues	<u>959,774</u>	<u>1,002,330</u>	<u>42,556</u>
EXPENDITURES			
Current:			
Accounting	34,200	24,978	9,222
Auditing	13,200	13,258	(58)
Dues and Licenses	1,200	1,451	(251)
Insurance and Bonds	18,000	16,475	1,525
District Management	7,000	5,475	1,525
Legal Services	10,000	8,463	1,537
Banking Fees	250	12	238
Landscape Improvements	55,000	37,660	17,340
Intergovernmental Expenditures	-	10,500	(10,500)
Utilities	392,000	357,930	34,070
Tower/Other Repairs	2,000	-	2,000
Lighting	1,200	1,731	(531)
Irrigation	30,000	16,233	13,767
Landscape Maintenance	306,600	344,629	(38,029)
Snow Removal	33,125	2,100	31,025
Stormwater Fees	30,000	35,053	(5,053)
Repairs and Maintenance	-	11,161	(11,161)
Contingency	10,000	-	10,000
Total Expenditures	<u>943,775</u>	<u>887,109</u>	<u>56,666</u>
NET CHANGE IN FUND BALANCE	15,999	115,221	99,222
Fund Balance (Deficit) - Beginning of Year	<u>16,605</u>	<u>27,442</u>	<u>10,837</u>
FUND BALANCE - END OF YEAR	<u>\$ 32,604</u>	<u>\$ 142,663</u>	<u>\$ 110,059</u>

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Flying Horse Metropolitan District No.1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Colorado Special District Act, was formed in 2004 to manage the construction of all facilities and improvements and for the operation and maintenance of all improvements not dedicated to the City of Colorado Springs, to include providing infrastructure of water, wastewater, streets, landscaping and other improvements for residents and businesses within the Flying Horse subdivision located in the City of Colorado Springs.

The District was formed in conjunction with Flying Horse Metropolitan District No. 2 (District No. 2) and Flying Horse Metropolitan District No. 3 (District No. 3) to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the three districts. The District is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 2 and District No. 3 are not component units of the District.

The District follows 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 operational and administrative functions are contracted.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 property taxes and intergovernmental revenues.

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

Separate financial statements are provided for the 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 within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are homeowner fees and intergovernmental revenue. 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 long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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 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.

Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

Depreciation expense has been computed on the landscaping, parks and perimeter fencing using the straight-line method over estimated economic useful lives of 20 years and on parks and recreation over estimated economic useful lives of 25 years.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment of capital assets.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Cost Recovery

Costs incurred for the construction of Northgate Road within the Flying Horse subdivision have been approved by the City of Colorado Springs to be allocated to property owners with frontage along the road. The District is eligible for recovery of costs totaling approximately \$972,344. Based on accounting principles generally accepted in the United States of America, because there is no guarantee that such costs will ultimately be recovered, any amounts received by the District will not be recognized until the funds are received.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (continued)

Fund Balance (continued)

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, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 153,300
Cash and Investments - Restricted	30,100
Total Cash and Investments	\$ 183,400

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

Deposits with Financial Institutions	\$ 183,400
Total Cash and Investments	\$ 183,400

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.

As of December 31, 2021, the District’s cash deposits had a bank balance and a carrying balance of \$183,400, respectively.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

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

As of December 31, 2021, the District had no investments.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	Balance - December 31, 2020	Increases	Decreases	Balance - December 31, 2021
Capital Assets, Being Depreciated:				
Landscaping and Perimeter Fencing	\$ 3,367,030	\$ -	\$ -	\$ 3,367,030
Parks and Recreation	1,108,526	-	-	1,108,526
Total Capital Assets, Being Depreciated	4,475,556	-	-	4,475,556
Less Accumulated Depreciation for:				
Landscaping and Perimeter Fencing	2,345,849	168,352	-	2,514,201
Parks and Recreation	22,171	44,341	-	66,512
Total Accumulated Depreciation	2,368,020	212,693	-	2,580,713
 Total Capital Assets, Being Depreciated, Net	 2,107,536	 (212,693)	 -	 1,894,843
 Capital Assets, Net	 <u>\$ 2,107,536</u>	 <u>\$ (212,693)</u>	 <u>\$ -</u>	 <u>\$ 1,894,843</u>

Depreciation expense in the amount of \$212,693 was charged to the general government function.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

	Balance - December 31, 2020	Additions	Retirements	Balance - December 31, 2021	Due Within One Year
Developer Advances:					
Developer Advances - Capital	\$ 173,401	\$ -	\$ -	\$ 173,401	\$ -
Accrued Interest - Developer Advances - Capital	2,386	13,872	-	16,258	-
Developer Advances - Operating	3,193,375	-	-	3,193,375	-
Accrued Interest - Developer Advances - Operating	1,892,113	255,470	-	2,147,583	-
 Total	 <u>\$ 5,261,275</u>	 <u>\$ 269,342</u>	 <u>\$ -</u>	 <u>\$ 5,530,617</u>	 <u>\$ -</u>

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District has entered into Funding and Reimbursement Agreement with the Developer as follows:

Funding and Reimbursement Agreement for Capital Costs

The District has entered into a reimbursement agreement with Classic Development - Flying Horse, LLC (FH), the developer. The proceeds from developer advances have been used primarily to fund the expenditures related to establishing the infrastructure, which has been dedicated to the City of Colorado Springs. The note accrues interest at a rate of 8.00% per annum. As of December 31, 2021, outstanding principal for Capital advances totaled \$173,401 and accrued interest due totaled \$16,258.

Funding and Reimbursement Agreement for Operations

The District has entered into a reimbursement agreement with Classic Development - Flying Horse, LLC (FH), the developer. The proceeds from developer advances have been used primarily to fund the expenditures for operating and administrative expenses. The note accrues interest at a rate of 8.00% per annum. As of December 31, 2021, outstanding principal was \$3,193,375 and accrued interest due to the Developer was \$2,147,583.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 1,894,843
Noncurrent Portion of Long-Term Obligations	(41,004)
Net Investment in Capital Assets	<u>\$ 1,853,839</u>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2021, as follows:

Restricted Net Position:	
Emergency Reserves (see Note 9)	\$ 30,100
Total Restricted Net Position	<u>\$ 30,100</u>

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 NET POSITION (CONTINUED)

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 RELATED PARTIES

The developer of the property which constitutes the District is FH, which is 100% owned by Elite Properties of America, Inc. (EPA). The members of the board of directors are officers, employees or associates of EPA and may have conflicts of interest in dealing with the District.

NOTE 8 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by 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.

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 needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

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'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 likely require judicial interpretation.

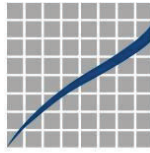
**FLYING HORSE METROPOLITAN DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Flying Horse Metropolitan District No. 2
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Flying Horse Metropolitan District No. 2 ("District") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position, and the budgetary comparison schedule for the general fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information, as identified in the table of contents ("other information"). The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 21, 2022

BASIC FINANCIAL STATEMENTS

FLYING HORSE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 18,050
Cash and Investments - Restricted	111,469
Receivable - County Treasurer	26,739
Property Taxes Receivable	3,227,664
Total Assets	3,383,922
LIABILITIES	
Accrued Interest Payable	125,946
Noncurrent Liabilities:	
Due Within One Year	450,000
Due in More Than One Year	58,623,573
Total Liabilities	59,199,519
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	3,227,664
Total Deferred Inflows of Resources	3,227,664
NET POSITION	
Restricted For:	
Debt Service	5,818
Unrestricted	(59,049,079)
Total Net Position	\$ (59,043,261)

See accompanying Notes to Basic Financial Statements.

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

FUNCTIONS/PROGRAMS	Program Revenues			Net Revenues (Expenses) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 10,437	\$ -	\$ -	\$ -	\$ (10,437)
Intergovernmental	796,000	-	7,000	-	(789,000)
Facilities Fees	-	-	218,000	-	218,000
Interest and Related Costs on Long-Term Debt	2,305,051	-	-	-	(2,305,051)
Total Governmental Activities	<u>\$ 3,111,488</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ -</u>	(2,886,488)
GENERAL REVENUES					
Property Taxes					2,884,738
Specific Ownership Taxes					338,762
Interest income					2,655
Total General Revenues					3,226,155
CHANGE IN NET POSITION					339,667
Net Position - Beginning of Year					(59,382,928)
NET POSITION - END OF YEAR					<u>\$ (59,043,261)</u>

See accompanying Notes to Basic Financial Statements.

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

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 18,050	\$ -	\$ 18,050
Cash and Investments - Restricted	-	111,469	111,469
Receivable from County Treasurer	6,444	20,295	26,739
Property Taxes Receivable	806,880	2,420,784	3,227,664
 Total Assets	 \$ 831,374	 \$ 2,552,548	 \$ 3,383,922
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	806,880	2,420,784	3,227,664
Total Deferred Inflows of Resources	806,880	2,420,784	3,227,664
 FUND BALANCES			
Restricted For:			
Debt Service	-	131,764	131,764
Unassigned:			
General Government	24,494	-	24,494
Total Fund Balances	24,494	131,764	156,258
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 831,374	 \$ 2,552,548	

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	(59,073,573)
Accrued Interest on Bonds Payable	(125,946)

Net Position of Governmental Activities

\$ (59,043,261)

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

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 695,222	\$ 2,189,516	\$ 2,884,738
Specific Ownership Taxes	81,642	257,120	338,762
Interest Income	598	2,057	2,655
Intergovernmental Revenues	-	7,000	7,000
Infrastructure Development Fees	-	218,000	218,000
Total Revenues	<u>777,462</u>	<u>2,673,693</u>	<u>3,451,155</u>
EXPENDITURES			
Current:			
County Treasurer's Fee	10,437	32,871	43,308
Banking Fees	-	2	2
Intergovernmental Expenditures	796,000	-	796,000
Debt Service:			
Paying Agent Fees	-	7,000	7,000
Bond Interest - 2020A	-	1,526,550	1,526,550
Bond Interest - 2020B	-	658,131	658,131
Bond Principal - 2020A	-	380,000	380,000
Total Expenditures	<u>806,437</u>	<u>2,604,554</u>	<u>3,410,991</u>
NET CHANGE IN FUND BALANCES	(28,975)	69,139	40,164
Fund Balances - Beginning of Year	<u>53,469</u>	<u>62,625</u>	<u>116,094</u>
FUND BALANCES - END OF YEAR	<u>\$ 24,494</u>	<u>\$ 131,764</u>	<u>\$ 156,258</u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ 40,164

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:

Bond Principal Payments 380,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Bonds Premium Amortization 376,968
Accrued Interest on Bonds - Change in Liability 1,267
Accrued Interest on Bonds - Unpaid Interest on 2020B Bonds (458,732)

Changes in Net Position of Governmental Activities \$ 339,667

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 695,329	\$ 695,222	\$ 695,222	\$ -
Specific Ownership Taxes	69,533	81,642	81,642	-
Interest Income	200	598	598	-
Other Revenue	5,000	-	-	-
Total Revenues	<u>770,062</u>	<u>777,462</u>	<u>777,462</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fee	10,430	10,437	10,437	-
Intergovernmental Expenditures	758,092	796,000	796,000	-
Miscellaneous	5,000	2,563	-	2,563
Total Expenditures	<u>773,522</u>	<u>809,000</u>	<u>806,437</u>	<u>2,563</u>
NET CHANGE IN FUND BALANCE	(3,460)	(31,538)	(28,975)	2,563
Fund Balance - Beginning of Year	<u>6,706</u>	<u>53,469</u>	<u>53,469</u>	<u>46,763</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,246</u>	<u>\$ 21,931</u>	<u>\$ 24,494</u>	<u>\$ 49,326</u>

See accompanying Notes to Basic Financial Statements.

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

NOTE 1 DEFINITION OF REPORTING ENTITY

Flying Horse Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Special District Act, was formed in 2005 for the purpose of providing the funding for streets, safety protection, water, sanitary sewer, drainage and park and recreation improvements, facilities, and services within the Flying Horse subdivision located in the city of Colorado Springs (the City).

The District was formed in conjunction with Flying Horse Metropolitan District No. 1 (District No. 1) and Flying Horse Metropolitan District No. 3 (District No. 3) to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the districts. District No. 1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the city of Colorado Springs. The District and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 1 and District No. 3 are not component units of the District.

The District follows 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 operational 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.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District is reported as net position.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 collectable 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. 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 payments made for principal and interest on long-term debt of the governmental funds.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with 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 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.

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

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 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

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

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

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

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

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

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

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 18,050
Cash and Investments - Restricted	111,469
Total Cash and Investments	\$ 129,519

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

Deposits with Financial Institutions	\$ 129,454
Investments	65
Total Cash and Investments	\$ 129,519

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.

As of December 31, 2021, the District's cash deposits had a bank balance and a book balance of \$129,454, respectively.

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.

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 65

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due Within One Year
Bonds Payable:					
Series 2020A Bonds -					
Principal	\$ 36,595,000	\$ -	\$ 380,000	\$ 36,215,000	\$ 450,000
Series 2020A Bonds -					
Premium	7,217,832	-	376,968	6,840,864	-
Series 2020B Bonds -					
Principal	15,405,000	-	-	15,405,000	-
Series 2020B Bonds -					
Accrued Interest	153,977	1,116,863	658,131	612,709	-
	<u>\$ 59,371,809</u>	<u>\$ 1,116,863</u>	<u>\$ 1,415,099</u>	<u>\$ 59,073,573</u>	<u>\$ 450,000</u>
Total					

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

General Obligation Limited Tax Refunding Bonds Series 2020A and Series 2020B

On August 8, 2020, the District issued \$36,595,000 in General Obligation Refunding and Improvement Bonds, Series 2020A (Series 2020A) and \$15,405,000 Subordinate General Obligation Limited Tax Bonds, Series 2020B (Series 2020B). The interest rate on the Series 2020A Bonds is 4.00%-5.00% per annum and the rate on the Series 2020B Bonds is 7.25% per annum. Interest on the Series 2020A Bonds is payable to the bondholders semiannually on each June 1 and December 1, commencing December 1, 2020. The Series 2020B Bonds of \$15,405,000 are term bonds due December 15, 2050. The Series 2020B Bonds are structured as cash flow bonds and have no fixed principal payment amounts due prior to maturity. Accordingly, no maturity schedule has been included in these financial statements.

The bonds are special limited obligations of the District secured by and payable from the pledged revenues, consisting of the following source: (i) the Required Mill Levy; (ii) the Capital Fees; (iii) the portion of the Specific Ownership Tax which is collected as a result on the imposition of the Required Mill Levy; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenues.

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the indenture.
- ii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, other than as described in paragraph (i) above and fails to remedy the same after notice thereof pursuant to the indenture.

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

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

Events of Default (Continued)

- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits there of pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but not withstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
- ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2021, the District was not in default.

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

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

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>
2022	\$ 450,000	\$ 1,511,350	\$ 1,961,350
2023	470,000	1,493,350	1,963,350
2024	525,000	1,474,550	1,999,550
2025	545,000	1,453,550	1,998,550
2026	605,000	1,431,750	2,036,750
2027-2031	3,750,000	6,660,000	10,410,000
2032-2036	5,305,000	5,605,050	10,910,050
2037-2041	7,025,000	4,381,000	11,406,000
2042-2046	8,975,000	2,818,400	11,793,400
2047-2050	8,565,000	873,400	9,438,400
Total	<u>\$ 36,215,000</u>	<u>\$ 27,702,400</u>	<u>\$ 63,917,400</u>

NOTE 5 INFRASTRUCTURE DEVELOPMENT FEES

In 2013, the District authorized the assessment of infrastructure development fees to assist in the funding of improvements in the District. Infrastructure development fees are applicable to all properties within the District and are due and payable to the District upon the earlier of the issuance of a building permit by the Regional Building Department or the sale of a platted lot. Any unpaid fees that are due and owing bear interest at a rate of 12.00% per annum. During the year ended December 31, 2021, the District received \$218,000 as facilities fees.

NOTE 6 NET POSITION

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

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2021, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Debt Service	\$ 5,818
Total Restricted Net Position	<u>\$ 5,818</u>

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

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

NOTE 7 RELATED PARTY

The developer of the property which constitutes the District is Classic Development-Flying Horse, LLC, which is 100% owned by Elite Properties of America, Inc. (EPA). The members of the Board of Directors are officers, employees or associates of EPA and may have conflicts of interest in dealing with the District.

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) as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to Flying Horse Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to the District's revenue are reported in District No. 1.

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

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUES)

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

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 2,189,361	\$ 2,189,516	\$ 2,189,516	\$ -
Specific Ownership Tax	218,936	257,120	257,120	-
Interest Income	24,000	2,057	2,057	-
Infrastructure Development Fees	144,000	218,000	218,000	-
Intergovernmental Revenues	2,300	7,000	7,000	-
Total Revenues	<u>2,578,597</u>	<u>2,673,693</u>	<u>2,673,693</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fee	32,840	32,871	32,871	-
Banking Fees	-	2	2	-
Paying Agent Fees	2,300	7,000	7,000	-
Bond Interest - 2020A	1,526,550	1,526,550	1,526,550	-
Bond Interest - 2020B	283,000	658,131	658,131	-
Bond Principal - 2020A	380,000	380,000	380,000	-
Miscellaneous	-	15,446	-	15,446
Total Expenditures	<u>2,224,690</u>	<u>2,620,000</u>	<u>2,604,554</u>	<u>15,446</u>
NET CHANGE IN FUND BALANCE	353,907	53,693	69,139	15,446
Fund Balance - Beginning of Year	<u>44,553</u>	<u>62,625</u>	<u>62,625</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 398,460</u>	<u>\$ 116,318</u>	<u>\$ 131,764</u>	<u>\$ 15,446</u>

OTHER INFORMATION

FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021

\$36,595,000
 General Obligation Limited Tax Refunding Bonds Series 2020A
 Dated August 8, 2020
 Interest Rate 4.00% - 5.00%
 Interest due June 1 and December 1
 Principal due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 450,000	\$ 1,511,350	\$ 1,961,350
2023	470,000	1,493,350	1,963,350
2024	525,000	1,474,550	1,999,550
2025	545,000	1,453,550	1,998,550
2026	605,000	1,431,750	2,036,750
2027	635,000	1,401,500	2,036,500
2028	705,000	1,369,750	2,074,750
2029	740,000	1,334,500	2,074,500
2030	815,000	1,297,500	2,112,500
2031	855,000	1,256,750	2,111,750
2032	935,000	1,214,000	2,149,000
2033	985,000	1,167,250	2,152,250
2034	1,070,000	1,118,000	2,188,000
2035	1,115,000	1,075,200	2,190,200
2036	1,200,000	1,030,600	2,230,600
2037	1,250,000	982,600	2,232,600
2038	1,340,000	932,600	2,272,600
2039	1,395,000	879,000	2,274,000
2040	1,490,000	823,200	2,313,200
2041	1,550,000	763,600	2,313,600
2042	1,655,000	701,600	2,356,600
2043	1,725,000	635,400	2,360,400
2044	1,790,000	566,400	2,356,400
2045	1,865,000	494,800	2,359,800
2046	1,940,000	420,200	2,360,200
2047	2,015,000	342,600	2,357,600
2048	2,100,000	262,000	2,362,000
2049	2,180,000	178,000	2,358,000
2050	2,270,000	90,800	2,360,800
	<u>2,270,000</u>	<u>90,800</u>	<u>2,360,800</u>
Total	<u>\$ 36,215,000</u>	<u>\$ 27,702,400</u>	<u>\$ 63,917,400</u>

**FLYING HORSE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

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	
2017	\$ 43,157,500	5.000	30.000	\$ 1,510,513	\$ 1,509,570	99.94%
2018	48,153,720	10.461	32.763	2,081,396	2,080,226	99.94
2019	52,796,370	10.462	32.775	2,282,757	2,283,076	100.01
2020	60,846,650	10.520	33.124	2,655,590	2,884,738	108.63
2021	66,095,910	10.520	33.124	2,884,690	2,884,738	100.00
Estimated for the Year Ending December 31, 2022	\$ 72,482,910	11.132	33.398	\$ 3,227,664		

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.

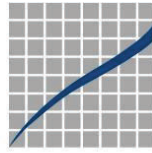
**FLYING HORSE METROPOLITAN DISTRICT NO. 3
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Flying Horse Metropolitan District No. 3
El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Flying Horse Metropolitan District No. 3 ("District") as of and for the years ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position, and the budgetary comparison schedule for the general fund, and the budgetary comparison for the general fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information, as identified in the table of contents ("other information"). The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 21, 2022

BASIC FINANCIAL STATEMENTS

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 9,013
Cash and Investments - Restricted	13,573
Receivable - County Treasurer	7,012
Property Taxes Receivable	919,247
Total Assets	948,845
LIABILITIES	
Accrued Interest Payable	1,222,468
Noncurrent Liabilities:	
Due in More Than One Year	17,800,000
Total Liabilities	19,022,468
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	919,247
Total Deferred Inflows of Resources	919,247
NET POSITION	
Unrestricted	(18,992,870)
Total Net Position	\$ (18,992,870)

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		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	\$ 2,786	\$ -	\$ -	\$ (2,786)	
Intergovernmental	205,000	-	3,500	(201,500)	
Interest and Related Costs on Long-Term Debt	1,080,072	-	-	(1,080,072)	
Total Governmental Activities	\$ 1,287,858	\$ -	\$ 3,500	(1,284,358)	
GENERAL REVENUES					
				753,451	
				88,839	
				612	
				842,902	
CHANGE IN NET POSITION					
				(441,456)	
				(18,551,414)	
				\$ (18,992,870)	

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 9,013	\$ -	\$ 9,013
Cash and Investments - Restricted	-	13,573	13,573
Receivable from County Treasurer	1,720	5,292	7,012
Property Taxes Receivable	229,806	689,441	919,247
 Total Assets	 \$ 240,539	 \$ 708,306	 \$ 948,845
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	229,806	689,441	919,247
Total Deferred Inflows of Resources	229,806	689,441	919,247
 FUND BALANCES			
Restricted for:			
Debt Service	-	18,865	18,865
Unassigned:			
General Government	10,733	-	10,733
Total Fund Balances	10,733	18,865	29,598
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 240,539	 \$ 708,306	

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	(17,800,000)
Accrued Interest on Bonds Payable	(1,222,468)

Net Position of Governmental Activities

\$ (18,992,870)

FLYING HORSE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 184,821	\$ 568,630	\$ 753,451
Specific Ownership Taxes	21,792	67,047	88,839
Interest Income	148	464	612
Intergovernmental Revenues	-	3,500	3,500
Total Revenues	<u>206,761</u>	<u>639,641</u>	<u>846,402</u>
EXPENDITURES			
Current:			
County Treasurer's Fee	2,786	8,572	11,358
Intergovernmental Expenditures	205,000	-	205,000
Debt Service:			
Bond Interest	-	618,049	618,049
Paying Agent Fee	-	3,500	3,500
Total Expenditures	<u>207,786</u>	<u>630,121</u>	<u>837,907</u>
NET CHANGE IN FUND BALANCES	(1,025)	9,520	8,495
Fund Balances - Beginning of Year	<u>11,758</u>	<u>9,345</u>	<u>21,103</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 10,733</u></u>	<u><u>\$ 18,865</u></u>	<u><u>\$ 29,598</u></u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds	\$	8,495
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Accrued Interest Bonds - Change in Liability		(449,951)
Changes in Net Position of Governmental Activities	\$	(441,456)

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 185,584	\$ 184,821	\$ (763)
Specific Ownership Taxes	18,558	21,792	3,234
Interest Income	-	148	148
Other revenue	5,000	-	(5,000)
Total Revenues	<u>209,142</u>	<u>206,761</u>	<u>(2,381)</u>
EXPENDITURES			
County Treasurer's Fee	2,784	2,786	(2)
Miscellaneous	5,000	-	5,000
Intergovernmental Expenditures	201,682	205,000	(3,318)
Total Expenditures	<u>209,466</u>	<u>207,786</u>	<u>1,680</u>
NET CHANGE IN FUND BALANCE	(324)	(1,025)	(701)
Fund Balance - Beginning of Year	<u>7,770</u>	<u>11,758</u>	<u>3,988</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 7,446</u></u>	<u><u>\$ 10,733</u></u>	<u><u>\$ 3,287</u></u>

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Flying Horse Metropolitan District No. 3 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Special District Act, was formed in 2005 for the purpose of providing the funding for streets, safety protection, water, sanitary sewer, drainage and park and recreation improvements, facilities, and services within the Flying Horse subdivision located in the City of Colorado Springs.

The District was formed in conjunction with Flying Horse Metropolitan District No. 1 (District No. 1) and Flying Horse Metropolitan District No. 2 (District No. 2) to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the districts. District No. 1 is responsible for managing the construction, operation and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and the District are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 1 and District No. 2 are not component units of the District.

The District follows 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 operational 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 property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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 collectable 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. 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 payments made for principal and interest on long-term debt of the governmental funds.

FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with 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 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.

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.

FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

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

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

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

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

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 9,013
Cash and Investments - Restricted	13,573
Total Cash and Investments	<u>\$ 22,586</u>

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

Deposits with Financial Institutions	\$ 22,585
Investments	1
Total Cash and Investments	<u>\$ 22,586</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.

As of December 31, 2021, the District's cash deposits had a bank balance and a book balance of \$22,585, respectively.

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.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 1

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due Within One Year
<u>Bonds Payable</u>					
General Obligation Limited Tax Refunding Bonds Series 2019A	\$ 17,800,000	\$ -	\$ -	\$ 17,800,000	\$ -
General Obligation Limited Tax Refunding Bonds Series 2019A					
Accrued Interest	<u>772,517</u>	<u>1,068,000</u>	<u>618,049</u>	<u>1,222,468</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$ 18,572,517</u>	 <u>\$ 1,068,000</u>	 <u>\$ 618,049</u>	 <u>\$ 19,022,468</u>	 <u>\$ -</u>

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

General Obligation Limited Tax Refunding Bonds Series 2019A

On July 30, 2019, the District issued General Obligation Limited Tax Refunding Bonds, Series 2019A (2019A Bonds) in the amount of \$17,800,000. The 2019A Bonds bear interest at an annual rate of 6.00% per annum, calculated on the basis of a 360-day year of 12 30-day months, through maturity on December 1, 2049. Interest is payable to the bondholders annually on December 1. To the extent principal and interest of any Bond is not paid when due, such principal will remain outstanding until the termination date of December 2, 2059 and will continue to bear interest at the rate then borne by the bond. Any amounts not paid by the termination date will be deemed paid, satisfied, and discharged, regardless of the amount of principal and interest paid prior to the termination date.

The 2019A Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District from the following sources, net of any collection costs: property taxes, specific ownership taxes and any other legally available monies which the District determines to be treated as pledged revenue. The 2019A Bonds are to be repaid as pledged revenues are available. The 2019A Bonds have no fixed principal payment amounts due prior to maturity. Accordingly, no maturity schedule has been included in these financial statements.

Interest expense related to bonds payable totaled \$1,068,000 for the year ended December 31, 2021. As of December 31, 2021 accrued interest related to bonds payable totaled \$1,222,468.

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

General Obligation Limited Tax Refunding Bonds Series 2019 (Continued)

The 2019A Series Bonds mature on December 1, 2049, and are subject to redemption prior to maturity, at the option of the District, on September 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2024, to August 31, 2025	3.00%
September 1, 2025, to August 31, 2026	2.00%
September 1, 2026, to August 31, 2027	1.00%
September 1, 2027, and thereafter	0.00%

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the indenture.
- ii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, other than as described in paragraph (i) above, and fails to remedy the same after notice thereof pursuant to the indenture.
- iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

- i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits there of pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.
- ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.
- iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

General Obligation Limited Tax Refunding Bonds Series 2019 (Continued)

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2021, the District was not in default.

NOTE 5 INFRASTRUCTURE DEVELOPMENT FEES

In 2005, the District authorized the assessment of infrastructure development fees to assist in the funding of improvements in the District. Infrastructure development fees are applicable to all properties within the District and are due and payable to the District upon the issuance of a building permit. Any unpaid fees that are due and owing bear interest at a rate of 12.00% per annum. During the year ended December 31, 2021, the District received no infrastructure development fees.

NOTE 6 NET POSITION

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

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

NOTE 7 RELATED PARTY

The developer of the property which constitutes the District is Classic Development-Flying Horse, LLC, which is 100% owned by Elite Properties of America, Inc. (EPA). The members of the Board of Directors are officers, employees or associates of EPA and may have conflicts of interest in dealing with the District.

FLYING HORSE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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) as of December 31, 2021. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District transfers its net operating revenue to Flying Horse Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to the District's revenue are reported in District No. 1.

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

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 570,913	\$ 568,630	\$ (2,283)
Specific Ownership Tax	57,091	67,047	9,956
Interest Income	-	464	464
Intergovernmental Revenues	-	3,500	3,500
Total Revenues	<u>628,004</u>	<u>639,641</u>	<u>11,637</u>
EXPENDITURES			
County Treasurer's Fee	8,564	8,572	(8)
Paying Agent Fees	3,500	3,500	-
Bond Interest	<u>638,150</u>	<u>618,049</u>	<u>20,101</u>
Total Expenditures	<u>650,214</u>	<u>630,121</u>	<u>20,093</u>
NET CHANGE IN FUND BALANCE	(22,210)	9,520	31,730
Fund Balance - Beginning of Year	<u>22,210</u>	<u>9,345</u>	<u>(12,865)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 18,865</u>	<u>\$ 18,865</u>

OTHER INFORMATION

**FLYING HORSE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

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	
2017	\$ 13,709,870	5.000	30.000	\$ 479,845	\$ 477,308	99.47 %
2018	15,543,580	10.236	31.417	647,437	645,504	99.70
2019	16,686,320	10.226	31.355	693,834	692,809	99.85
2020	17,370,170	10.261	31.566	726,541	701,717	96.58
2021	18,086,320	10.261	31.566	\$ 756,497	753,451	99.60
Estimated for the Year Ending December 31, 2022	\$ 21,978,410	10.456	31.369	\$ 919,247		

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.