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Accountant's Compilation Report

Board of Directors
Hess Ranch Metropolitan District No. 2
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Hess Ranch Metropolitan District No. 2 for the years ending December 31, 2016 and 2017, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to Hess Ranch Metropolitan District No. 2.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 12, 2017

**HESS RANCH METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2016 and 2017 BUDGET AS ADOPTED**

For the Years Ended and Ending December 31,

1/12/2017

	ADOPTED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -
REVENUES		
Developer advance	25,000	50,000
Total revenues	25,000	50,000
Total funds available	25,000	50,000
EXPENDITURES		
General and administration		
Accounting	5,000	15,000
Contingency	3,000	4,000
Dues and membership	1,000	1,000
Insurance	1,000	2,000
Legal	15,000	25,000
Miscellaneous	-	3,000
Total expenditures	25,000	50,000
Total expenditures and transfers out requiring appropriation	25,000	50,000
ENDING FUND BALANCES	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

HESS RANCH METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/12/20107

	ADOPTED 2016	ADOPTED 2017
ASSESSED VALUATION - DOUGLAS		
Certified Assessed Value	\$ -	\$ -
MILL LEVY		
PROPERTY TAXES		
Budgeted Property Taxes	\$ -	\$ -
BUDGETED PROPERTY TAXES		
	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**HESS RANCH METROPOLITAN DISTRICT NO. 2
2016 AND 2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

The District is a quasi-municipal corporation and political subdivision of the State of Colorado under Title 32, Article 1 of the Colorado Revised Statutes, and was organized by order of the District Court in Douglas County on April 11, 2016. The formation of the District was approved by the Town of Parker, Colorado in conjunction with the approval by the Town Board of a Consolidated Service Plan for the District and Hess Ranch Metropolitan District No. 1 and Nos. 3-8. The District was organized to the financing for Hess Ranch Metropolitan District No. 1. The District's service area is located south of Hess Road and west of Motsenbocker Road in the Town of Parker in Douglas County, Colorado.

On November 3, 2015, the District's electors authorized debt in the amount of \$1,222,600,000 for public improvements including street improvements, park and recreation, water, sanitation, public transportation, mosquito control, traffic and safety control, fire protection, television relay and translation, and security. \$366,780,000 of debt was also authorized for the purpose of refunding debt, operations and maintenance, and intergovernmental agreements. The District is authorized to increase taxes \$5,000,000 annually to pay the operations and administrative costs of the District, without limitation. However, the District is in negotiations with the Town of Parker, whereby which District Nos. 1-3 will likely be limited to imposing no more than 10 mills for operations.

Additionally, the Service Plan limits (except for a Gallagher adjustment) the District's debt service mill levy to 42.827 mills for residential property. The Service Plan also limits the imposition of the debt service mill levy to 40 years after initial year of imposition of such mill levy.

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

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.

Revenues

Developer Advances

The District's general and administrative costs in 2017 will be funded by the Developer. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from bonds proceeds and other legally available revenue.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated cost of services necessary to maintain the District's administrative viability such as legal, accounting, insurance, membership dues, and other administrative expenditures.

Debt and Leases

The District has no operating or capital leases.

**HESS RANCH METROPOLITAN DISTRICT NO. 2
2016 AND 2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserve

TABOR requires local governments to establish emergency reserve. This reserve must be at least 3% of fiscal year spending. Since all funds received by the District are from Developer advances which pay for all of the District's operations and maintenance costs, an emergency reserve is not reflected in the District's budget.

This information is an integral part of the accompanying budget.