

Carriage Hills Metropolitan District
FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

December 31, 2020

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REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Carriage Hills Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental funds of the Carriage Hills Metropolitan District (the "District"), as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the *American Institute of Certified Public Accountants* ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

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

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

Opinions on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Carriage Hills Metropolitan District, as of December 31, 2020, and the respective changes in financial position thereof, and the budgetary comparison for the general fund and special revenue fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Carriage Hills Metropolitan District taken as a whole. The supplementary information on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Marc James & Associates PC

Highlands Ranch, CO
July 27, 2021

BASIC FINANCIAL STATEMENTS

Carriage Hills Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2020

	Governmental Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
ASSETS					
Cash and cash equivalents	\$ 26,081	\$ 197,613	\$ -	\$ -	\$ 223,694
Property taxes receivable	51,005	-	-	321,488	372,493
Other receivables	113,299	8,970	-	-	122,269
Due from County Treasurer	185	-	-	1,157	1,342
Restricted cash	-	-	-	492,970	492,970
Capital assets, net	-	-	-	-	-
Total assets	\$ 190,570	\$ 206,583	\$ -	\$ 815,615	\$ 1,212,768
LIABILITIES					
Accounts payable	\$ 3,702	\$ 1,721	\$ 400,000	\$ 20,474	\$ 425,897
Accrued interest payable	-	-	-	-	-
Other accrued liabilities	-	7,648	-	7,214	14,862
Long-term liabilities					
Due after one year	-	-	-	-	-
Total liabilities	3,702	9,369	400,000	27,688	440,759
DEFERRED INFLOWS OF RESOURCES					
Property taxes	51,005	-	-	321,488	372,493
FUND BALANCE/NET POSITION					
FUND BALANCE					
Restricted	2,300	-	-	466,439	468,739
Committed	-	197,214	-	-	197,214
Unassigned	133,563	-	(400,000)	-	(266,437)
Total fund balance	135,863	197,214	(400,000)	466,439	399,516
Total liabilities, deferred inflows of resources and fund balance	\$ 190,570	\$ 206,583	\$ -	\$ 815,615	\$ 1,212,768
NET POSITION					
Unrestricted					
Total net position					

	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 223,694
Property taxes receivable	-	372,493
Other receivables	-	122,269
Due from County Treasurer	-	1,342
Restricted cash	-	492,970
Capital assets, net	324,444	324,444
	<u>324,444</u>	<u>324,444</u>
Total assets	324,444	1,537,212
LIABILITIES		
Accounts payable	-	425,897
Accrued interest payable	197,887	197,887
Other accrued liabilities	-	14,862
Long-term liabilities		
Due after one year	7,392,488	7,392,488
	<u>7,392,488</u>	<u>7,392,488</u>
Total liabilities	7,590,375	8,031,134
DEFERRED INFLOWS OF RESOURCES		
Property taxes	-	372,493
FUND BALANCE/NET POSITION		
FUND BALANCE		
Restricted	(468,739)	-
Committed	(197,214)	-
Unassigned	266,437	-
	<u>(399,516)</u>	<u>-</u>
Total fund balance	(399,516)	-
Total liabilities, deferred inflows of resources and fund balance		
NET POSITION		
Unrestricted	(6,866,415)	(6,866,415)
	<u>(6,866,415)</u>	<u>(6,866,415)</u>
Total net position	<u>\$ (6,866,415)</u>	<u>\$ (6,866,415)</u>

Carriage Hills Metropolitan District

STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2020

	Governmental Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
Expenditures/Expenses					
Operating					
Administration	\$ 65,322	\$ 26,457	\$ -	\$ 25,240	\$ 117,019
Landscaping and maintenance	-	42,454	-	-	42,454
Utilities	-	7,341	-	-	7,341
Depreciation	-	-	-	-	-
Engineering	10,257	-	-	-	10,257
Debt service					
Paying agent	-	-	-	6,000	6,000
Interest	-	-	-	301,655	301,655
Total expenditures/expenses	75,579	76,252	-	332,895	484,726
Charges for services					
Operational and capital facilities	-	89,460	-	-	89,460
Other	-	3,575	-	-	3,575
Total charges for services	-	93,035	-	-	93,035
Net expenditures/expenses	75,579	(16,783)	-	332,895	391,691
General revenue					
Property taxes	50,468	-	-	317,473	367,941
Specific ownership taxes	2,395	-	-	15,069	17,464
Other	239	-	-	3,555	3,794
Total general revenue	53,102	-	-	336,097	389,199
CHANGE IN FUND BALANCE/ NET POSITION	(22,477)	16,783	-	3,202	(2,492)
Fund balance/net position					
Beginning of the year	158,340	180,431	(400,000)	463,237	402,008
End of the year	\$ 135,863	\$ 197,214	\$ (400,000)	\$ 466,439	\$ 399,516

	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses		
Operating		
Administration	\$ -	\$ 117,019
Landscaping and maintenance	-	42,454
Utilities	-	7,341
Depreciation	26,667	26,667
Engineering	-	10,257
Debt service		
Paying agent	-	6,000
Interest	153,583	455,238
	<u>180,250</u>	<u>664,976</u>
Charges for services		
Operational and capital facilities	-	89,460
Other	-	3,575
	<u>-</u>	<u>93,035</u>
Total charges for services	-	93,035
Net expenditures/expenses	180,250	571,941
General revenue		
Property taxes	-	367,941
Specific ownership taxes	-	17,464
Other	-	3,794
	<u>-</u>	<u>389,199</u>
Total general revenue	-	389,199
CHANGE IN FUND BALANCE/ NET POSITION	(180,250)	(182,742)
Fund balance/net position		
Beginning of the year	<u>(7,085,681)</u>	<u>(6,683,673)</u>
End of the year	<u>\$ (7,265,931)</u>	<u>\$ (6,866,415)</u>

Carriage Hills Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2020

	Original Budget	Amended and Final Budget	Actual	Variance
Revenue				
Property taxes	\$ 50,467	\$ 50,467	\$ 50,468	\$ 1
Specific ownership taxes	3,785	2,400	2,395	(5)
Interest	-	106	-	(106)
Insurance proceeds	-	16,234	16,234	-
Other	8,000	16,000	239	(15,761)
Total revenue	62,252	85,207	69,336	(15,871)
Expenditures				
Operating				
Audit	9,000	9,030	9,030	-
Dues and fees	426	445	445	-
Election	10,000	3,434	3,434	-
Engineering	-	11,000	10,257	743
Insurance	5,128	1,730	1,730	-
Insurance claim	-	16,234	16,234	-
Legal	40,000	50,000	37,253	12,747
Office expense	1,096	250	223	27
Management and accounting	24,900	12,450	12,450	-
Treasurer's fees	757	758	757	1
Contingency	5,000	5,000	-	5,000
Total expenditures	96,307	110,331	91,813	18,518
CHANGE IN FUND BALANCE	<u>\$ (34,055)</u>	<u>\$ (25,124)</u>	(22,477)	<u>\$ 2,647</u>
Fund Balance				
Beginning of the year			<u>158,340</u>	
End of the year			<u>\$ 135,863</u>	

Carriage Hills Metropolitan District

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year ended December 31, 2020

	Original and Final Budget	Actual	Variance
Revenue			
Operational and facilities fees	\$ 89,880	\$ 89,460	\$ (420)
Other	-	3,575	3,575
	<u>89,880</u>	<u>93,035</u>	<u>3,155</u>
Total revenue	89,880	93,035	3,155
Expenditures			
Operating			
Bad debts	-	107	(107)
Billing service	6,888	6,388	500
Design review	-	100	(100)
District management	-	12,950	(12,950)
Insurance	-	2,653	(2,653)
Landscaping	53,514	33,912	19,602
Legal	2,100	3,101	(1,001)
Office expense	240	1,157	(917)
Irrigation repairs and maintenance	10,000	3,709	6,291
Snow removal	8,000	4,833	3,167
Trash	2,000	510	1,490
Utilities	25,575	6,832	18,743
	<u>108,317</u>	<u>76,252</u>	<u>32,065</u>
Total expenditures	108,317	76,252	32,065
CHANGE IN FUND BALANCE	<u>\$ (18,437)</u>	16,783	<u>\$ 35,220</u>
Fund Balance			
Beginning of the year		<u>180,431</u>	
End of the year		<u>\$ 197,214</u>	

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Carriage Hills Metropolitan District (the "District") conform to the accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was organized in April 2006, under State of Colorado statutory authority, as a quasi-municipal corporation and is governed by a five-member Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes) for the overall purpose of the development of the Carriage Hills planned unit development.

The District's service area, which consists of approximately 100 acres of land, is located in the Town of Frederick, Colorado. Under the Service Plan, the District was formed to provide for the planning, design, financing, acquisition, construction and installation of public improvements as defined in the Service Plan.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by the Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

All operations and administrative functions are contracted.

2. Measurement Focus and Financial Accounting Framework

The accompanying financial statements are presented in accordance with GASB Statement No. 34, *Special Purpose Governments*.

Government-Wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the governmental activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2. *Measurement Focus and Financial Accounting Framework - continued*

Governmental Funds

For 2020, the District has four Governmental Funds:

- *General Fund* – The General Fund is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,
- *Special Revenue Fund* - The District's Special Revenue Fund is used to account for assessment and collection of a \$105 per quarter operational and facility fee and subsequent payment of expenditures pertaining to the operation and maintenance of the District's common areas.
- *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs,
- *Capital Projects Fund* - The Capital Projects Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other assets.

3. *Deposits*

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and investment flexibility. As applicable, investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

4. *Capital Assets*

The District's capital assets, as applicable, are recorded at cost, if purchased or constructed. Donated capital assets are valued at the estimated fair value at the time of donation. The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items costing less than \$5,000 in certain circumstances.

The cost of normal maintenance and repairs, as incurred, that do not add value to, or materially extend the life of, the related capital asset, are charged to expense as incurred.

Depreciation is provided under the straight-line method, with an estimated service life of 15 years.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

5. *Fair Value of Financial Instruments*

The District's financial instruments include, as applicable, cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2020, does not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

6. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

7. *Property Taxes*

Property taxes are levied by the District's Board of Directors. When applicable, the levy is based upon 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows of resources in the year they are levied and measurable, since they normally are not available nor are they budgeted as a resource until the subsequent year. Property taxes are recorded as revenue in the subsequent year when they are available or collected.

Under the Service Plan, the maximum Mill Levy for the District shall be 50 mills, subject to statutory adjustment.

NOTE B – BUDGET INFORMATION

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

The State of Colorado requires a balanced budget. For 2020, the District amended the General Fund budget and the amended budgeted expenditures exceeded budgeted revenues by \$25,125. Additionally, the budgeted expenditures in the Special Revenue Fund exceeded the budgeted revenue by \$18,437 and budgeted revenue in the Debt Service Fund exceeded budgeted expenditures by \$9,219.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE C – CASH AND INVESTMENTS

Cash and Investments

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2020, all of the District’s deposits were either insured by the FDIC or held in eligible depositories.

At December 31, 2020, the District had \$201,355 invested in the Colorado Local Government Liquid Trust (“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 \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of the U.S. government agencies. The District’s investments are in the COLOTRUST PLUS+ portfolio. COLOTRUST is rated AAAM by Standard & Poor’s.

COLOTRUST determines the net asset value (“NAV”) of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with GASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Restricted Cash and Cash Equivalents

The District’s restricted cash and cash equivalents pertain to the amount of cash and cash equivalents equal to the cash held within the Debt Service Fund.

NOTE D - LONG-TERM DEBT

Limited Tax General Obligation Bonds, Series 2018A

In May 2018, the District issued Limited Tax General Obligation Bonds, Series 2018A (“2018 Series A Bonds”) in the amount \$4,690,000 for purpose of (a) to pay the costs to acquire the Public Improvements and other Improvements, including reimbursing the Developers under various developer reimbursement agreements, further discussed in NOTE E, (b) fund a debt service reserve fund and (c) pay capitalized interest, (d) pay the costs of the issuance of the 2018 Series A Bonds.

The District shall not issue, incur or otherwise enter into any Additional Obligations having a lien upon the Pledged Revenue, as defined in the Indenture of Trust; or any part thereof that is superior to the lien of the 2018 Series A Bonds.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D - LONG-TERM DEBT - *continued*

General Obligation Limited Tax Bonds, Series 2018 A – continued

The 2018 Series A Bonds shall bear interest at the rate of 5.5% per annum, calculated on the basis of a 360-day year of twelve 30 day months, payable to the extent of Pledged Revenue, as defined in the Indenture of Trust, semi-annually on each June 1 and December 1. The 2018 Series A Bonds shall require principal payments commencing on December 1, 2024, with a final maturity on December 1, 2047.

Under the terms of the Indenture of Trust, the District is to transfer the Pledged Revenue as defined in the Indenture of Trust, to the Trustee as soon as may be practicable after receipt thereof.

On each November 1, the Trustee shall determine the amount credited to the Bond Fund and, to the extent the amount therein is in excess of the amount required to pay interest on the 2018 Series A Bonds, the Trustee shall give notice of any redemption.

Optional Redemption

The 2018 Series A Bonds shall be subject to optional redemption to the extent Pledged Revenue is available beginning after December 1, 2023. The optional redemption price shall be equal to the principal, accrued interest and a redemption premium. The redemption premium shall be as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2023 to November 30, 2024	3.00%
December 1, 2014 to November 30, 2025	2.00%
December 1, 2025 to November 30, 2026	1.00%
December 1, 2026 and thereafter	0.00%

Annual Audit

Under the terms of the Indenture of Trust, the District shall provide an audit of the District's annual financial statements no later than September 30 of the calendar year after the calendar year end.

Subordinate Limited Tax General Obligation Bonds, Series 2018 B

In May 2018, the District issued the Subordinate Limited Tax General Obligation Bonds, Series 2018B ("2018 Series B Bonds") in an amount not to exceed \$2,655,000 for purpose of paying the costs to acquire the Public Improvements and other Improvements, including reimbursing the Developers under various developer reimbursement agreements, further discussed in NOTE E.

The 2018 Series B Bonds shall bear interest at the rate of 7.5% per annum, calculated on the basis of a 365-day year, payable to the extent of Subordinate Pledged Revenue, as defined in the Indenture of Trust, annually on December 15. For the year ended December 31, 2020, interest was paid in the amount of \$28,855. As of December 31, 2020, there was unpaid accrued interest payable of \$175,465.

The 2018 Series B Bonds has a final maturity on December 15, 2047.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D - LONG-TERM DEBT – *continued*

Optional Redemption

The 2018 Series B Bonds shall be subject to optional redemption to the extent Subordinate Pledged Revenue is available beginning after December 15, 2027. The optional redemption price shall be equal to the principal and accrued interest without a redemption premium.

Changes in the District's Long-Term Debt

The changes in the District's long-term debt for the year ended December 31, 2020 are as follows:

	Balance December 31, 2019	<u>Borrowings</u>	<u>Payments</u>	Balance December 31, 2020	Balance Due in One Year
2018 Series A Bonds	\$ 4,960,000	-	-	4,960,000	-
2018 Series B Bonds	<u>2,432,488</u>	<u>-</u>	<u>-</u>	<u>2,432,488</u>	<u>-</u>
	<u>\$ 7,392,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,392,488</u>	<u>\$ -</u>

Future Maturities

The future minimum principal payments for the 2018 Series A Bonds and the anticipated maturity amount of the 2018 Series B Bonds as of December 31, 2020, are as follows:

<u>Year Ending</u>	<u>2018 Series A Bonds</u>	<u>2018 Series B Bonds</u>	<u>Total</u>
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	55,000	-	55,000
2025	60,000	-	60,000
2026-2030	460,000	-	460,000
2031-2035	740,000	-	740,000
2036-2040	1,140,000	-	1,140,000
2041-2045	1,660,000	-	1,660,000
2046-2047	<u>845,000</u>	<u>2,432,488</u>	<u>3,277,488</u>
Total	<u>\$ 4,960,000</u>	<u>\$ 2,432,488</u>	<u>\$ 7,392,488</u>

Due to the "cash flow" structure of the 2018 Series B Bonds, the future minimum required payments cannot be projected.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D - LONG-TERM DEBT – *continued*

Authorized, But Unissued Debt

As of December 31, 2020, the amount of the voter authorized, but unissued debt for the Carriage Hill Metropolitan District was \$23,550,000. However, the District's Service Plan currently limits the total debt issuance to \$7,800,000. As such, the District has no remaining authorized, but unissued debt.

Dependence upon Timely Payment of Property Taxes

Delinquency in the payment of property taxes by the owners of taxable property in the District may impair the repayment of the 2018 Series A Bonds and 2018 Series B Bonds in a timely manner. Generally, property tax does not constitute a personal obligation on the property owner, but rather constitutes a lien against the taxed property until paid. The County Treasurer can enforce the payment of delinquent property taxes through the power of foreclosure and subsequent sale in the manner provided by applicable law. The ability of the District to enforce and collect the necessary property taxes is dependent upon the taxed property to have sufficient market value to support the property taxes that are imposed against it.

NOTE E – COMMITMENTS

Advance and Reimbursement Agreement - Carriage Hills Development, Inc.

In June 2006, the District entered into an Advance and Reimbursement Agreement ("ARA") with Carriage Hills Development, Inc. ("Carriage Hills") under which Carriage Hills agreed to advance funds for the construction, maintenance and operating costs, as defined in the ARA, consistent with the public objects and purpose of the District.

The District shall reimburse the Developer for any advances together with interest at the rate of 7% per annum. There were no advance reimbursements outstanding to Carriage Hills under the ARA as of December 31, 2020.

Infrastructure Acquisition Agreement - Babcock Land Corp.

In May 2013, the District entered into an Infrastructure Acquisition Agreement with Babcock Land Corp. ("Babcock") under which the District agrees to acquire various improvements from Babcock at a reasonable cost. The Purchase Price for all or any of the completed improvements or improvements for which work is in process, shall be equal to the District Costs. The District Costs shall be the amount so certified in the Cost Certification as defined in the Infrastructure Acquisition Agreement.

Infrastructure Acquisition and Reimbursement Agreement - Babcock Land Corp.

In May 2014, the District entered into an Infrastructure Acquisition and Reimbursement Agreement ("IARA") with Babcock pursuant to which the District agreed to reimburse Babcock up to \$400,000 for "District Eligible Costs", if certain agreed upon conditions exist and solely from that source of revenue identified in Paragraph 6 of the IARA.

Repayment obligations incurred under the IARA shall not bear interest, and the amount due and owing shall be due to the extent funds are available. In 2018, the District acquired improvements in the amount of \$400,000; however, the conditions precedent to establishing the repayment had not been met as of December 31, 2020.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE E – COMMITMENTS – *continued*

Infrastructure Acquisition and Reimbursement Agreement - Babcock Land Corp.- continued

In May 2019, the District received a letter from Babcock alleging breach of the District's obligation to Babcock under the IARA and a demand for payment to Babcock in the amount of \$400,000 plus interest, and attorney's fees, if applicable. On July 30, 2019, Babcock filed a Complaint and Demand for a Jury Trial against the District, Carriage Hills and members of the Board of Directors, individually.

Subsequently, the District has filed a motion to dismiss the complaint and demand for jury trial and as of December 31, 2020, the complaint and demand for jury trial and the motion to dismiss the complaint and demand for jury trial are pending.

NOTE F - CAPITAL ASSETS

Changes in the District's capital assets for the year ended December 31, 2020 are as follows:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Landscaping	\$ 400,000	\$ -	\$ -	\$ 400,000
Accumulated depreciation	(48,889)	(26,667)	-	(75,556)
Net capital assets	\$ 351,111	\$ (26,667)	\$ -	\$ 324,444

NOTE G – FUND BALANCE/NET POSITION

Fund Balance

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances, as applicable, are categorized as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact;

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation;

Committed – represents amounts that may only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose, unless the District's Board of Directors remove or change the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance;

Assigned – represents amounts that the District intends to use for specific purposes, as expressed by the District's Board of Directors or a District official delegated the authority to assign such amounts;

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE G – FUND BALANCE/NET POSITION - *continued*

Fund Balance – continued

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2020, the District's fund balance consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Fund balances:					
Restricted					
TABOR	\$ 2,300	\$ -	\$ -	\$ -	\$ 2,300
Debt service	-	-	-	466,439	466,439
Committed	-	197,214	-	-	197,214
Unassigned	<u>133,563</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(266,437)</u>
 Total fund balances (deficit)	 <u>\$ 135,863</u>	 <u>\$ 197,214</u>	 <u>\$ (400,000)</u>	 <u>\$ 466,439</u>	 <u>\$ 399,516</u>

Net Position

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District may report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

NOTE H - RELATED PARTIES

Marketplace Metropolitan District

Carriage Hills is also the Developer of Marketplace Metropolitan District ("Marketplace") and as of December 31, 2020 there was \$113,299 due to the District from Marketplace for funds advanced by the District on behalf of Marketplace.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, errors or omissions, and natural disasters, as well as theft of, damage to, or destruction of, property.

The District is a member of the Colorado Special Districts Property and Liability Pool (“Pool”) as of December 31, 2020. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials’ liability, boiler, and other coverage to its members.

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

NOTE J – 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, and debt limitations, which apply to the State of Colorado and to all local governments.

Spending and revenue limits are determined based upon 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’s management believes it is in compliance with the provisions of TABOR. TABOR, however, is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits, will require judicial interpretation.

NOTE K – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 has adversely affected the economies and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures, and social restrictions that has impacted and delayed some of the operations of the District, including the business of land development, home building and sales.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE L – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through July 27, 2021 which is the date that the financial statements and accompanying notes were available for issuance.

NOTE M – RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position and Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustments column, which reconciles the differences between the government-wide and governmental fund financial statements, as follows:

Governmental Funds Balance Sheet/Statement of Net Position

Long-term debt, including accrued interest payable, is not due and payable in the current period and therefore is not reported in the governmental funds,

Long-term debt	\$	7,392,488
Accrued interest payable		197,887

Capital assets, net of accumulated depreciation, reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds.

324,444

Statement of Governmental Funds Revenue, Expenditures and Changes in Fund Balance/Statement of Activities

Depreciation of capital assets is reflected in the Statement of Activities,

26,667

Interest expense is recorded in the Statement of Activities when incurred. Interest is only recorded, as paid, in the debt service fund.

153,583

SUPPLEMENTARY INFORMATION

Carriage Hills Metropolitan District

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year ended December 31, 2020

	Original and Final Budget	Actual	Variance
Revenue			
Property taxes	\$ 317,472	\$ 317,473	\$ (1)
Specific ownership taxes	19,049	15,069	(3,980)
Interest	16,000	3,555	(12,445)
	<u>352,521</u>	<u>336,097</u>	<u>(16,426)</u>
Total revenue			
Expenditures			
Operating			
Treasurer's fees	4,762	4,766	(4)
Town of Frederick	19,533	20,474	(941)
Debt service			
Paying agent fees	6,000	6,000	-
Interest	313,007	301,655	11,352
	<u>343,302</u>	<u>332,895</u>	<u>10,407</u>
Total expenditures			
CHANGE IN FUND BALANCE	<u>\$ 9,219</u>	3,202	<u>\$ (6,019)</u>
Fund Balance			
Beginning of the year		<u>463,237</u>	
End of the year		<u>\$ 466,439</u>	