

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

December 31, 2021

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Marc, James & Associates, PC
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Carriage Hills Metropolitan District

Opinion

We have audited the accompanying financial statements of governmental activities and the governmental funds of the Carriage Hills Metropolitan District (the "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 accompanying financial statements 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, 2021, and the respective changes in financial position thereof, and the budgetary comparison for the general fund and the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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 opinion.

Responsibilities 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 issued or 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 opinion. 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 US GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with US GAAS, 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

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 14, 2022

BASIC FINANCIAL STATEMENTS

Carriage Hills Metropolitan District

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

	Governmental Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
ASSETS					
Cash and cash equivalents	\$ 32,184	\$ 227,858	\$ -	\$ -	\$ 260,042
Property taxes receivable	51,514	-	-	327,629	379,143
Other receivables	113,299	1,448	-	-	114,747
Due from County Treasurer	212	-	-	1,336	1,548
Prepaid expenses and deposits	5,641	-	-	-	5,641
Restricted cash and cash equivalents	-	-	-	476,068	476,068
Capital assets, net	-	-	-	-	-
Total assets	\$ 202,850	\$ 229,306	\$ -	\$ 805,033	\$ 1,237,189
LIABILITIES					
Accounts payable	\$ 2,123	\$ 11,483	\$ 400,000	\$ 20,765	\$ 434,371
Accrued interest payable	-	-	-	-	-
Other accrued liabilities	-	9,448	-	-	9,448
Long-term liabilities					
Due after one year	-	-	-	-	-
Total liabilities	2,123	20,931	400,000	20,765	443,819
DEFERRED INFLOWS OF RESOURCES					
Property taxes	51,514	-	-	327,629	379,143
FUND BALANCE/NET POSITION					
FUND BALANCE					
Nonspendable	3,445	-	-	-	3,445
Restricted	1,300	-	-	456,639	457,939
Committed	-	208,375	-	-	208,375
Unassigned	144,468	-	(400,000)	-	(255,532)
Total fund balance	149,213	208,375	(400,000)	456,639	414,227
Total liabilities, deferred inflows of resources and fund balance	\$ 202,850	\$ 229,306	\$ -	\$ 805,033	\$ 1,237,189

The accompanying notes are an integral part of these financial statements

	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 260,042
Property taxes receivable	-	379,143
Other receivables	-	114,747
Due from County Treasurer	-	1,548
Prepaid expenses and deposits	-	5,641
Restricted cash and cash equivalents	-	476,068
Capital assets, net	<u>297,778</u>	<u>297,778</u>
Total assets	297,778	1,534,967
LIABILITIES		
Accounts payable	-	434,371
Accrued interest payable	336,915	336,915
Other accrued liabilities	-	9,448
Long-term liabilities		
Due after one year	<u>7,392,488</u>	<u>7,392,488</u>
Total liabilities	7,729,403	8,173,222
DEFERRED INFLOWS OF RESOURCES		
Property taxes	-	379,143
FUND BALANCE/NET POSITION		
FUND BALANCE		
Nonspendable	(3,445)	-
Restricted	(457,939)	-
Committed	(208,375)	-
Unassigned	<u>255,532</u>	<u>-</u>
Total fund balance	<u>(414,227)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance		
NET POSITION		
Unrestricted	<u>(7,017,398)</u>	<u>(7,017,398)</u>
Total net position	<u>\$ (7,017,398)</u>	<u>\$ (7,017,398)</u>

The accompanying notes are an integral part of these financial statements

Carriage Hills Metropolitan District

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

For the Year ended December 31, 2021

	Governmental Funds				Total
	General	Special Revenue	Capital Projects	Debt Service	
Expenditures/Expenses					
Operating					
Administration	\$ 38,182	\$ 26,490	\$ -	\$ 25,591	\$ 90,263
Landscaping and maintenance	-	39,730	-	-	39,730
Utilities	-	14,439	-	-	14,439
Depreciation	-	-	-	-	-
Engineering	6,570	-	-	-	6,570
Debt service					
Paying agent	-	-	-	6,000	6,000
Interest	-	-	-	316,208	316,208
Total expenditures/expenses	44,752	80,659	-	347,799	473,210
Charges for services					
Operational and capital facilities	-	89,460	-	-	89,460
Other	225	2,270	-	-	2,495
Total charges for services	225	91,730	-	-	91,955
Net expenditures/expenses	44,527	(11,071)	-	347,799	381,255
General revenue					
Property taxes	50,965	-	-	321,239	372,204
Specific ownership taxes	2,559	-	-	16,131	18,690
Other	4,353	90	-	629	5,072
Total general revenue	57,877	90	-	337,999	395,966
CHANGE IN FUND BALANCE/ NET POSITION	13,350	11,161	-	(9,800)	14,711
Fund balance/net position					
Beginning of the year	135,863	197,214	(400,000)	466,439	399,516
End of the year	\$ 149,213	\$ 208,375	\$ (400,000)	\$ 456,639	\$ 414,227

The accompanying notes are an integral part of these financial statements

	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses		
Operating		
Administration	\$ -	\$ 90,263
Landscaping and maintenance	-	39,730
Utilities	-	14,439
Depreciation	26,667	26,667
Engineering	-	6,570
Debt service		
Paying agent	-	6,000
Interest	139,029	455,237
	<u>165,696</u>	<u>638,906</u>
Charges for services		
Operational and capital facilities	-	89,460
Other	-	2,495
	<u>-</u>	<u>91,955</u>
Total charges for services	<u>-</u>	<u>91,955</u>
Net expenditures/expenses	165,696	546,951
General revenue		
Property taxes	-	372,204
Specific ownership taxes	-	18,690
Other	-	5,072
	<u>-</u>	<u>395,966</u>
Total general revenue	<u>-</u>	<u>395,966</u>
CHANGE IN FUND BALANCE/ NET POSITION	(165,696)	(150,985)
Fund balance/net position		
Beginning of the year	<u>(7,265,929)</u>	<u>(6,866,413)</u>
End of the year	<u><u>\$ (7,431,625)</u></u>	<u><u>\$ (7,017,398)</u></u>

The accompanying notes are an integral part of these financial statements

Carriage Hills Metropolitan District

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

For the Year ended December 31, 2021

	Original Budget	Actual	Variance
Revenue			
Property taxes	\$ 51,005	\$ 50,966	\$ (39)
Specific ownership taxes	2,550	2,560	10
Interest	-	251	251
Oil royalties	-	3,558	3,558
Other	16,000	767	(15,233)
	<u>69,555</u>	<u>58,102</u>	<u>(11,453)</u>
Total revenue			
Expenditures			
Operating			
Audit	9,000	6,500	2,500
Dues and fees	467	-	467
Engineering	10,000	6,570	3,430
Insurance	1,975	4,972	(2,997)
Legal	40,000	19,394	20,606
Office expense	100	550	(450)
Management and accounting	6,000	6,000	-
Treasurer's fees	766	766	-
Contingency	1,247	-	1,247
	<u>69,555</u>	<u>44,752</u>	<u>24,803</u>
Total expenditures			
CHANGE IN FUND BALANCE	<u>\$ -</u>	13,350	<u>\$ 13,350</u>
Fund Balance			
Beginning of the year		<u>135,863</u>	
End of the year		<u>\$ 149,213</u>	

The accompanying notes are an integral part of these financial statements

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, 2021

	Original Budget	Amended and Final Budget	Actual	Variance
Revenue				
Operational and facilities fees	\$ 100,460	\$ 89,460	\$ 89,460	\$ -
Other	-	2,362	2,360	2
Total revenue	100,460	91,822	91,820	2
Expenditures				
Operating				
Bad debts	-	56	56	-
District management	24,900	24,900	24,900	-
Insurance	1,522	-	-	-
Landscaping	48,644	26,870	26,870	-
Legal	2,400	650	579	71
Office expense	1,850	955	955	-
Irrigation repairs and maintenance	4,000	4,466	4,466	-
Snow removal	7,000	8,400	8,394	6
Trash	2,000	690	690	-
Utilities	8,075	54,079	13,749	40,330
Total expenditures	100,391	121,066	80,659	40,407
CHANGE IN FUND BALANCE	\$ 69	\$ (29,244)	11,161	\$ 40,409
Fund Balance				
Beginning of the year			197,214	
End of the year			\$ 208,375	

The accompanying notes are an integral part of these financial statements

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021

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

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

Governmental Funds

For 2021, 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, 2021

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, 2021, 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 2021, the District amended the Special Revenue Fund budget and the amended budgeted expenditures exceeded budgeted revenues by \$29,244. For 2021, the District amended the Debt Service Fund budget and the amended budgeted expenditures exceeded budgeted revenues by \$9,564. For both the Special Revenue Fund and the Debt Service Fund the District's Board of Directors anticipated the use of prior years' surplus to offset the deficit budgets.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021, all of the District’s deposits were either insured by the FDIC or held in eligible depositories.

At December 31, 2021, the District had \$181,799 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, 2021

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. For the year ended December 31, 2021, interest was paid in the amount of \$242,800. As of December 31, 2021, there was unpaid accrued interest payable of \$22,422.

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, 2024 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 2018 B ("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, 2021, interest was paid in the amount of \$43,408. As of December 31, 2021, there was unpaid accrued interest payable of \$314,493.

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

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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, 2021 are as follows:

	Balance December 31, 2020	<u>Borrowings</u>	<u>Payments</u>	Balance December 31, 2021	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, 2021, are as follows:

<u>Year Ending</u>	<u>2018 Series A Bonds</u>	<u>2018 Series B Bonds</u>	<u>Total</u>
2022	-	-	-
2023	-	-	-
2024	55,000	-	55,000
2025	60,000	-	60,000
2026	75,000	-	75,000
2027-2031	505,000	-	505,000
2032-2036	815,000	-	815,000
2037-2041	1,230,000	-	1,230,000
2042-2046	1,785,000	-	1,785,000
2047	<u>735,000</u>	<u>2,432,488</u>	<u>2,867,488</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. As such, the entire outstanding balance is reflected in the year of maturity.

Carriage Hills Metropolitan District
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE D - LONG-TERM DEBT – *continued*

Authorized, But Unissued Debt

As of December 31, 2021, 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, 2021.

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, 2021.

Carriage Hills Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – COMMITMENTS – *continued*

Infrastructure Acquisition and Reimbursement Agreement - Babcock Land Corp - continued

In July 2019, Babcock filed a Complaint and Demand for a Jury Trial, against the District, Carriage Hills and members of the Board of Directors, individually; alleging breach of the District's obligation to Babcock under the IARA, The District filed a motion to dismiss the Complaint and Demand for a Jury Trial which was granted in 2021. Babcock has filed an appeal to the dismissal. It is anticipated that the appeal will not be ruled upon until late 2022 or early 2023.

NOTE F - CAPITAL ASSETS

Changes in the District's capital assets for the year ended December 31, 2021 are as follows:

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Landscaping	\$ 400,000	\$ -	\$ -	\$ 400,000
Accumulated depreciation	(75,555)	(26,667)	-	(102,222)
Net capital assets	\$ <u>324,445</u>	\$ <u>(26,667)</u>	\$ <u>-</u>	\$ <u>297,778</u>

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, 2021

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, 2021, 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:					
Nonspendable					
Prepaid expenses	\$ 3,445	\$ -	\$ -	\$ -	\$ 3,445
Restricted					
TABOR	1,300	-	-	-	1,300
Debt service	-	-	-	456,639	456,639
Committed	-	208,375	-	-	208,375
Unassigned	<u>144,468</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>	<u>(255,532)</u>
Total fund balances (deficit)	<u>\$ 149,213</u>	<u>\$ 208,375</u>	<u>\$ (400,000)</u>	<u>\$ 456,639</u>	<u>\$ 414,227</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, 2021 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, 2021

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, 2021. 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.

The spread of COVID-19 and its variants has altered the behavior of individuals and businesses in a manner that has had significant impacts on global, national, and local economies. Accordingly, state and local governments, including the State of Colorado, announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders. The COVID-19 measures are changing rapidly and in 2022, many restrictions are being relaxed or eliminated.

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, 2021

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 14, 2022 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		336,915

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.

297,778

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.

139,029

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, 2021

	Original Budget	Amended and Final Budget	Actual	Variance
Revenue				
Property taxes	\$ 321,488	\$ 321,488	\$ 321,239	\$ 249
Specific ownership taxes	16,075	16,131	16,131	-
Interest	3,000	631	629	(2)
Total revenue	340,563	338,250	337,999	247
Expenditures				
Operating				
Treasurer's fees	4,792	4,825	4,825	-
Town of Frederick	20,778	20,781	20,766	15
Debt service				
Paying agent fees	6,615	6,000	6,000	-
Interest	308,378	316,208	316,208	-
Total expenditures	340,563	347,814	347,799	15
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (9,564)</u>	(9,800)	<u>\$ 262</u>
Fund Balance				
Beginning of the year			<u>466,439</u>	
End of the year			<u>\$ 456,639</u>	