

Highpointe Vista Metropolitan District No. 2

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Highpointe Vista Metropolitan District No. 2
Larimer County, Colorado

Opinions

We have audited the financial statements of governmental activities and the governmental funds of the Highpointe Vista Metropolitan District No. 2 (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 Highpointe Vista Metropolitan District No. 2 as of December 31, 2021, and the respective changes in financial position 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

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require the budgetary comparison on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this required supplementary information in accordance with US GAAS, which consist of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters - continued

Supplementary Information

The supplementary on page 25 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Marc, James and Associates, PC

Highlands Ranch, Colorado
March 16, 2022

BASIC FINANCIAL STATEMENTS

Highpointe Vista Metropolitan District No. 2

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 54,951	\$ -	\$ 54,951	\$ -	\$ 54,951
Property taxes receivable	372,275	322,394	694,669	-	694,669
Other receivables	4,985	-	4,985	-	4,985
Due from County Treasurer	1,211	2,180	3,391	-	3,391
Restricted cash	-	18,996	18,996	-	18,996
Capital assets, net of accumulated depreciation	-	-	-	2,904,092	2,904,092
Total assets	\$ 433,422	\$ 343,570	\$ 776,992	2,904,092	3,681,084
LIABILITIES					
Accounts payable	\$ 28,883	\$ -	\$ 28,883	-	28,883
Accrued interest payable	-	-	-	17,083	17,083
Other accrued liabilities	412	-	412	-	412
Long-term liabilities					
Bond premium	-	-	-	800,217	800,217
Due within one year	-	-	-	100,000	100,000
Due after one year	-	-	-	5,025,000	5,025,000
Total liabilities	29,295	-	29,295	5,942,300	5,971,595
DEFERRED INFLOWS OF RESOURCES					
Property taxes	372,275	322,394	694,669	-	694,669
FUND BALANCE/NET POSITION					
FUND BALANCE					
Restricted	13,000	21,176	34,176	(34,176)	-
Committed	46,400	-	46,400	(46,400)	-
Assigned	14,535	-	14,535	(14,535)	-
Unassigned	(42,083)	-	(42,083)	42,083	-
Total fund balance	31,852	21,176	53,028	(53,028)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 433,422	\$ 343,570	\$ 776,992		
NET POSITION (DEFICIT)					
Unrestricted				(2,985,180)	(2,985,180)
Total net deficit				\$ (2,985,180)	\$ (2,985,180)

The accompanying notes are an integral part of these basic financial statements

Highpointe Vista Metropolitan District No. 2

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

For the Year ended December 31, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Expenditures/Expenses					
Operating					
Administration	\$ 94,469	\$ 8,590	\$ 103,059	\$ -	\$ 103,059
Landscaping	194,730	-	194,730	-	194,730
Clubhouse and pool	99,667	-	99,667	-	99,667
Repairs and maintenance	169,271	-	169,271	-	169,271
Villas maintenance	31,064	-	31,064	-	31,064
Depreciation	-	-	-	382,050	382,050
Debt service					
Paying agent	-	6,500	6,500	-	6,500
Cost of issuance	-	423,585	423,585	31,628	455,213
Principal	-	5,875,000	5,875,000	(5,875,000)	-
Interest	-	331,910	331,910	(6,015)	325,895
Total expenditures/expenses	589,201	6,645,585	7,234,786	(5,467,337)	1,767,449
Charges for services					
Clubhouse and pool usage	112,160	-	112,160	-	112,160
Fees/assessments	186,474	-	186,474	-	186,474
Architectural reviews	2,750	-	2,750	-	2,750
Total charges for services	301,384	-	301,384	-	301,384
Net expenditures/expenses	287,817	6,645,585	6,933,402	(5,467,337)	1,466,065
General revenue					
Property taxes	238,777	429,799	668,576	-	668,576
Specific ownership taxes	18,243	32,837	51,080	-	51,080
Grants	6,299	-	6,299	-	6,299
Other	406	472	878	-	878
Total general revenues	263,725	463,108	726,833	-	726,833
Revenues over (under) expenditures	(24,092)	(6,182,477)	(6,206,569)	5,467,337	(739,232)
Other sources					
Proceeds from issuance of debt	-	6,035,826	6,035,826	(6,035,826)	-
Change in fund balance	(24,092)	(146,651)	(170,743)	(568,489)	(739,232)
Fund balance/net position (deficit)					
Beginning of the year	55,944	167,827	223,771	(2,469,719)	(2,245,948)
End of the year	<u>\$ 31,852</u>	<u>\$ 21,176</u>	<u>\$ 53,028</u>	<u>\$ (3,038,208)</u>	<u>\$ (2,985,180)</u>

The accompanying notes are an integral part of these basic financial statements

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Highpointe Vista Metropolitan District No. 2 (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 formed, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in November 2005, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District is governed by a seven-member Board of Directors. The District is located in the Town of Windsor, Colorado.

The District was formed to provide financing, construction, operation and maintenance of various infrastructure, landscaping and recreational amenities for a Planned Unit Development referred to as Highpointe Estates (the "Development"). 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 Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

2. Measurement Focus and Financial Reporting Framework

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the accrual basis of accounting related to the *governmental-type activities* of the District, which rely to a significant extent on property taxes, specific ownership taxes and charges for services. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property tax, specific ownership taxes and charges for services.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

Governmental Funds

The District maintains two individual governmental funds. The governmental funds information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund and the Debt Service Fund, both of which, the District considers to be major funds.

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term liabilities of the District.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, unrestricted demand deposits and money market accounts, as applicable.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash, accounts receivable, accrued liabilities and deferred inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2021, do 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.

5. *Capital Assets*

The District's capital assets which consist of various infrastructure and recreational amenities are reported in the government-wide financial statements. The District's capital assets are recorded at cost, if purchased or constructed.

The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000 in certain circumstances. Depreciation is provided in amounts sufficient to relate the cost of depreciable capital assets to operations over the estimated useful lives of the assets. Depreciation is provided under the straight-line method, with estimated original service lives of ten to twenty-five years.

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

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

6. *Use of Estimates*

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

District management has estimated the useful lives of the depreciable capital assets.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund and Debt Service Fund. An annual appropriated budget is adopted at the total fund expenditure level and the annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

On or before October 15, the District's Treasurer and/or the District's Manager submit a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of monies between Funds must be approved by the Board of Directors in the same manner as the adoption of the budget.

For 2021, the budgets of the District's General Fund and Debt Service Fund were amended.

State of Colorado Statutes require a balanced budget. For 2021, the District's amended General Fund budgeted expenditures exceeded budgeted revenues by \$18,200. It was anticipated that prior year surpluses would be used in 2021 to offset the deficit. Additionally, the District's amended Debt Service Fund budgeted expenditures exceeded budgeted revenues by \$153,119 as the District applied available Debt Service Fund cash as part of the refinancing of the outstanding Series 2016A and Series 2016B Bonds in 2021, further discussed in NOTE F.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE C – 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. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2021, all of the District’s funds were held in eligible public depositories.

NOTE D – RESTRICTED CASH

The cash and cash equivalents held in the Debt Service Fund \$18,996 is reflected as restricted as of December 31, 2021.

NOTE E – CAPITAL ASSETS

The 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
Capital assets				
Infrastructure	\$ 2,818,637	\$ -	\$ -	2,818,637
Amenities				
Landscaping	2,278,582	-	-	2,278,582
Pool, clubhouse and other	<u>2,812,490</u>	<u>-</u>	<u>-</u>	<u>2,812,490</u>
Total	7,909,709	-	-	7,909,709
Accumulated depreciation				
Infrastructure	1,303,724	123,158	-	1,426,882
Amenities				
Landscaping	1,407,176	123,908	-	1,531,084
Pool, clubhouse and other	<u>1,912,667</u>	<u>134,984</u>	<u>-</u>	<u>2,047,651</u>
Total	<u>4,623,567</u>	<u>382,050</u>	<u>-</u>	<u>5,005,617</u>
Net capital assets	<u>\$ 3,286,142</u>	<u>\$ (382,050)</u>	<u>\$ -</u>	<u>\$ 2,904,092</u>

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG - TERM DEBT

Limited Tax General Obligation Refunding Bonds, Series 2021

In October 2021, the District issued Limited Tax General Obligation Refunding Bonds, Series 2021, ("Series 2021 Bonds") with a par value of \$5,235,000. The Series 2021 Bonds were issued for the purpose of refinancing the Limited General Obligation Refunding Bonds, Series 2016A and Series 2016B, subsequently discussed, and for the payment of the related issuance cost of the Series 2021 Bonds. The Series 2021 Bonds were issued at a premium of \$800,826, resulting in total proceeds of \$6,035,826.

The Series 2021 Bonds have a final maturity of December 1, 2046, and bear interest at a rate of 4% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent Pledged Revenues, as defined in the Bond Indenture, are available semiannually on each June 1 and December 1, commencing on December 1, 2021.

The Series 2021 Bonds are subject to optional redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, beginning on December 1, 2031, and on any date thereafter, upon payment of par, accrued interest with no redemption premium.

The Series 2021 Bonds maturing on December 1, 2041 also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2037, and on each December 1 thereafter prior to the maturity date of such bonds, upon payment of par and accrued interest, without redemption premium, in the amounts set forth below:

Year of Redemption	Redemption Amount
2037	\$ 225,000
2038	245,000
2039	250,000
2040	270,000
2041, final maturity, not a sinking fund redemption	280,000

The Series 2021 Bonds maturing on December 1, 2046 also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2042, and on each December 1 thereafter prior to the maturity date of such bonds, upon payment of par and accrued interest, without redemption premium, in the amounts set forth below:

Year of Redemption	Redemption Amount
2042	\$ 300,000
2043	310,000
2044	325,000
2045	340,000
2046, final maturity, not a sinking fund redemption	350,000

The Series 2021 Bonds constitute limited tax general obligation of the District payable from the Pledged Revenue as provided in the Indenture. All of the Series 2021 Bonds, together with interest thereon and any premium due in connection therewith, shall be payable solely from the and to the extent of the Pledged Revenue.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG - TERM DEBT - *continued*

Limited Tax General Obligation Refunding Bonds, Series 2021

Concurrently, with the issuance of the Series 2021 Bonds, a Municipal Bond Insurance Policy was issued guaranteeing the scheduled payment of the principal of and interest on the Series 2021 Bonds. The Municipal Bond Insurance Policy premium is considered to be immaterial to the District and is included in the cost of issuance reflected in the Statement of Activities.

Limited Tax General Obligation Refunding Bonds, Series 2016A

In September 2016, the District issued Limited Tax General Obligation Refunding Bonds, Series 2016A, ("Series 2016A Bonds") with a par value of \$4,915,000. The Series 2016A Bonds were issued for the purpose of refinancing the Limited Property Tax Supported Revenue Bonds, Series 2007.

The Series 2016A Bonds are subject to optional redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, beginning on December 1, 2021, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2021 to November 30, 2022	3.00%
December 1, 2022 to November 30, 2023	2.00
December 1, 2024 to November 30, 2024	1.00
December 1, 2024 and thereafter	0.00

The Series 2016A Bonds, \$4,785,000 outstanding, were called, and paid in full, effective December 1, 2021 in accordance with the optional redemption provision discussed in the preceding paragraph. The District incurred the redemption premium in the amount of \$143,550, which is included in the cost of issuance reflected in the Statement of Activities.

Subordinated Limited Tax General Obligation Refunding Bond, Series 2016B

In September 2016, the District issued a Subordinate Limited Tax General Obligation Refunding Bond, Series 2016B, ("Series 2016B Bond") in the amount of \$1,085,000. The Series 2016B Bond was issued for the purpose of refinancing a portion of the outstanding principal of prior Developer Reimbursement Obligation Agreement.

The Series 2016B Bond was subject to optional redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, beginning on December 15, 2021, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
December 1, 2021 to November 30, 2022	3.00%
December 1, 2022 to November 30, 2023	2.00
December 1, 2024 to November 30, 2024	1.00
December 1, 2024 and thereafter	0.00

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG - TERM DEBT - *continued*

Subordinated Limited Tax General Obligation Refunding Bond, Series 2016B - continued

The Series 2016B Bond, \$980,000 outstanding, was called, and paid in full, effective December 15, 2021 in accordance with the optional redemption provision discussed in the preceding paragraph. The District incurred the redemption premium in the amount of \$29,400, which is included in the cost of issuance reflected in the Statement of Activities.

Covenants and Agreements

The District is required to have an annual audit of its financial records to be performed by a Certified Public Accountant completed within reasonable efforts no later than September 30 of each calendar year. The foregoing covenant shall apply notwithstanding any State of Colorado law audit exemptions that may exist. In addition, at least once a year in the time and manner provide by law, the District will cause a budget to be prepared and adopted.

Changes in Long-Term Debt

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

	December 31, 2020	Additions	Payments	December 31, 2021	Due within One Year
Series 2021	\$ -	\$ 5,235,000	\$ 110,000	\$ 5,125,000	\$ 100,000
Series 2016A Bonds	4,785,000	-	4,785,000	-	-
Series 2016B Bond	980,000	-	980,000	-	-
	<u>\$ 5,765,000</u>	<u>\$ -</u>	<u>\$ 5,875,000</u>	<u>\$ 5,125,000</u>	<u>\$ 100,000</u>

Future Minimum Required Principal Redemptions

The future minimum required principal and interest payments for the Series 2021 Bonds as of December 31, 2021 are as follows:

Year Ended December 31	Principal	Interest	Total
2022	\$ 100,000	\$ 205,000	\$ 305,000
2023	95,000	201,000	296,000
2024	105,000	197,200	302,200
2025	110,000	193,000	303,000
2026	120,000	188,600	308,600
2027-2031	725,000	864,400	1,589,400
2032-2036	975,000	700,600	1,675,600
2037-2041	1,270,000	482,800	1,752,800
2042-2046	1,625,000	200,200	1,825,200
Total	<u>\$ 5,125,000</u>	<u>\$ 3,232,800</u>	<u>\$ 8,357,800</u>

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG - TERM DEBT - *continued*

Accretion of the Series 2021 Bonds Premium

The scheduled accretion of the remaining Series 2021 Bonds Premium as December 31, 2021 is as follows

<u>Year Ended December 31</u>	
2022	\$ 4,149
2023	7,164
2024	11,192
2025	14,676
2026	18,547
2027-2031	134,774
2032-2036	176,152
2037-2041	200,635
2042-2046	<u>232,928</u>
Total	\$ <u>800,217</u>

For the year ended December 31, 2021, the District recognized accretion of the Series 2021 Bonds Premium in the amount of \$609. The accretion is included in interest expense as reflected in the Statement of Activities.

Authorized, but Unissued Debt

The District's authority to issue additional debt is restrained by its electoral authorization, the Service Plan, and the Bond Indenture.

At the election held on November 1, 2005, the District's eligible electors authorized the District to issue general obligation bonds or other obligations in the following amounts and for the following purposes: \$16,875,000 for public infrastructure (the "Public Infrastructure Authorization"), \$1,000,000 for operations and maintenance, \$4,375,000 for contracts with other political subdivisions related to public infrastructure, \$4,375,000 for contracts with private entities related to public infrastructure (the "Private Entity Authorization"), \$3,375,000 for management services related to public infrastructure, and an additional \$6,750,000 of authorization to refund such obligations at a higher interest rate (the "Refunding Authorization"). The District has previously used \$3,375,000 of the Public Infrastructure Authorization, \$2,556,584 of the Private Entity Authorization and \$1,540,000 of the Refunding Authorization.

The District has not used any portion of the other categories of electoral authorization obtained from the Election, and will not use any additional electoral authorization obtained from the Election in connection with the issuance of the Series 2021 Bonds (except for refunding authorization, if and to the extent necessary). The Board of Directors of the District currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount.

The Service Plan provides that the maximum debt limit for the issuance of bonds is \$6,000,000, exclusive of the costs of issuance, organizational costs, inflation, refundings and other similar costs. Obligations of the District which have been paid or refunded do not count against the debt limit. Prior to the issuance of the Series 2021 Bonds, the District had used all such Service Plan authorization. The Series 2021 Bonds constitute a refunding and therefore do not count against the Service Plan debt limit.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 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 can 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 removes or changes 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 amounts,

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

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:

	General Fund	Debt Service Fund	Total
Restricted			
Emergency reserve	\$ 13,000	\$ -	\$ 13,000
Debt service	-	21,176	21,176
Committed			
Repairs	46,400	-	46,400
Assigned			
Villas at Highpointe Estates	14,535	-	14,535
Unassigned	<u>(42,083)</u>	<u>-</u>	<u>(42,083)</u>
Total fund balance	<u>\$ 31,852</u>	<u>\$ 21,176</u>	<u>\$ 53,028</u>

As further discussed in NOTE I, the District will be levying and collecting a \$200 per lot Capital Improvement and Repair Fee in 2022 from which the committed repairs as of December 31, 2021 will be funded.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports 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 their 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 position is available, the District will use the most restrictive net position first.

NOTE I – ASSESSMENTS AND FEES

The District imposes an annual Capital Improvement and Repair Fee in the amount of \$300, reduced to \$200 for 2022, per lot. Additionally, the District implemented an annual Landscape Maintenance and Water Fee in the amount of \$100 per lot.

The District also collected an annual fee, \$1,500 for 2021, from the owners of The Villas at Highpoint Estates for landscape maintenance, snow removal and other operating expenses.

The District also imposes pool and clubhouse fees on all residents and on nonresidents who desire to use the pool and clubhouse. The Resident Pool/Clubhouse Fee is imposed on all residential property within the boundaries of the District in the amount of \$200 per lot per year.

The Board of Directors at its discretion may increase, decrease the annual fees; or opt to not to assess the annual fees for a given year.

The District also charges fees for architectural control committee reviews and rental of the clubhouse.

The assessments and fees are not pledged to the Series 2021 Bonds.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE J – COMMITMENTS

District Management Agreement

The District outsources the management of the District which includes overall management, accounting and administrative services. The service contract renews annually each year on January 1, unless notice of non-renewal is provided by either party as described in the service contract.

District Landscape Maintenance Agreement

The District outsources the landscape maintenance and snow removal services related to the operation and maintenance of certain District facilities and improvements. The term of the agreement shall be for one year and be terminated by the District or the Contractor upon providing written notice at least 30 days prior to the termination date.

The Villas at Highpointe Estates Landscape Maintenance Agreement

The District outsources the landscape maintenance and snow removal services related to the operation and maintenance of The Villas at Highpointe Estates. The term of the agreement shall be for one year and be terminated by the District or the Contractor upon providing written notice at least 30 days prior to the termination date.

Pool Management Agreement

The District outsources the operation and management of the District's pool facilities.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE L – 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 all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits may require judicial interpretation.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column which reconciles the differences between the fund financial and the government-wide statements as follows:

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,	\$	2,904,092
Long-term liabilities are not due and payable in the current period and, therefore, are not reflected in the governmental funds,		5,125,000
The premium associated with the issuance of the Series 2021 Bonds, reflected in the Statement of Net Position is not a financial resource in the governmental funds and accordingly is not reported in the governmental funds,		800,217
Interest is recognized in the governmental funds as paid, accrued interest payable is only recognized on the Statement of Net Position.		17,083

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

Depreciation expense on capital assets is reported in the Statement of Activities. However, as it does not use current financial resources, as such, depreciation expense is not recorded as an expenditure in the governmental funds,	\$	382,050
Interest is recognized in the governmental funds as paid. For the Statement of Activities interest expense is recognized as incurred. This is the difference between the amount of interest paid and the amount of interest incurred, plus the accretion of the Series 2021 Bonds Premium,		(6,015)
Governmental funds report principal payments on long-term debt as expenditures. However, in the Statement of Net Position, the principal payments on long-term debt are recognized as reductions of the long-term debt. During 2021, this is the amount of principal payments on long-term debt,		(5,875,000)
The unamortized discount related to the Series 2016A Bonds was charged to cost of issuance,		31,628
The proceeds from issuance of debt reflected as other sources in the Debt Service Fund are eliminated for the Statement of Activities.		(6,035,826)

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE N – 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 is altering the behavior of individuals and businesses in a manner that is having significant impacts on global, national, and local economies. State and local governments, including the State of Colorado, have announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders.

These COVID-19 measures are changing rapidly. COVID-19 vaccines are currently being administered in Colorado, but it is unclear how long the vaccination process will take.

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.

NOTE L – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District 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 March 16, 2022, which is the date the financial statements and accompanying footnotes were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

Highpointe Vista Metropolitan District No. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2021

	Original Budget	Amended and Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 237,100	\$ 237,000	\$ 238,777	\$ 1,777
Specific ownership taxes	18,360	16,000	18,243	2,243
Clubhouse and pool usage	102,600	112,160	112,160	-
Architectural reviews	3,600	2,800	2,750	(50)
Fee/assessments	186,800	186,375	186,474	99
Grants	6,000	-	6,299	6,299
Other	1,260	288	406	118
Total revenues	555,720	554,623	565,109	10,486
Expenditures				
Operating				
Administration	89,910	91,852	94,469	(2,617)
Landscaping	189,600	172,590	194,730	(22,140)
Clubhouse and pool	95,700	103,900	99,667	4,233
Repairs and maintenance	141,900	173,201	169,271	3,930
Villas maintenance	34,300	31,300	31,064	236
Total expenditures	551,410	572,843	589,201	(16,358)
Revenues over (under) expenditures	\$ 4,310	\$ (18,220)	(24,092)	\$ (5,872)
Fund Balance				
Beginning of the year			<u>55,944</u>	
End of the year			<u>\$ 31,852</u>	

NOTE: Subsequent to the amendment of the 2021 budget, the District was notified of a billing error by the District's irrigation water provider which resulted in an additional charge for the years 2021 and 2020 to be paid in 2022. However, the balance due as of December 31, 2021, \$28,883, is included in the 2021 expenditures resulting in expenditures in excess of the 2021 budgeted amount.

SUPPLEMENTARY INFORMATION

Highpointe Vista Metropolitan District No. 2

SCHEDULE OF REVENUES, 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
Revenues				
Property taxes	\$ 426,800	\$ 428,000	\$ 429,799	\$ (1,799)
Specific ownership taxes	31,365	29,000	32,837	3,837
Other	600	300	472	172
	<u>458,765</u>	<u>457,300</u>	<u>463,108</u>	<u>5,808</u>
Expenditures				
Administration				
Treasurer's fees	8,750	8,750	8,590	160
Debt service				
Paying agent fees	5,500	6,500	6,500	-
Cost of issuance	-	424,085	423,585	500
Principal	144,000	5,875,000	5,875,000	-
Interest	300,350	331,910	331,910	-
	<u>458,600</u>	<u>6,646,245</u>	<u>6,645,585</u>	<u>660</u>
Revenues over (under) expenditures	165	(6,188,945)	(6,182,477)	6,468
Other sources				
Proceeds from issuance of debt	-	6,035,826	6,035,826	-
Change in fund balance	<u>165</u>	<u>(153,119)</u>	<u>(146,651)</u>	<u>6,468</u>
Fund Balance				
Beginning of the year			<u>167,827</u>	
End of the year			<u>\$ 21,176</u>	