

# **Highlands Estates Metropolitan District**

Financial Statements and  
Independent Auditor's Report

**December 31, 2021**





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## Independent Auditor's Report

Members of the Board of Directors  
Highland Estates Metropolitan District

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Highland Estates 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Highland Estates Metropolitan District, as of December 31, 2021 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highland Estates Metropolitan 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 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.

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 Highland Estates Metropolitan District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Highland Estates Metropolitan 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 Highland Estates Metropolitan District's ability to continue as a going concern for a reasonable period of time.

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

#### **Other Matters**

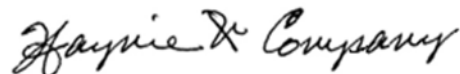
##### *Required Supplementary Information*

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

##### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Highland Estates Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado  
September 1, 2022

## **BASIC FINANCIAL STATEMENTS**

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2021**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 28,374
Receivable - County Treasurer	181
Property taxes receivable	39,744
Prepaid expenses	445
Total assets	68,744
<b>LIABILITIES</b>	
Accounts payable	5,422
Accrued bonds interest payable	48,141
Noncurrent liabilities:	
Due in more than one year	1,432,880
Total liabilities	1,486,443
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenues	39,744
Total liabilities and deferred inflows of resources	1,526,187
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	214
Debt service	988
Unrestricted (deficit)	(1,458,645)
Total net position (deficit)	\$ (1,457,443)

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2021**

<u>Functions/Programs</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Government activities:				
General government	\$ 34,686	\$ -	\$ -	\$ (34,686)
Interest and related costs on long-term debt	59,514	-	-	(59,514)
	<u>\$ 94,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(94,200)</u>
General revenues:				
Property taxes				43,647
Specific ownership taxes				2,188
Net investment income				459
Total general revenues				<u>46,294</u>
Change in net position				<u>(47,906)</u>
Net position (deficit) - Beginning				(1,409,537)
Net position (deficit) - Ending				<u><u>\$ (1,457,443)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 27,539	\$ 835	\$ -	\$ 28,374
Receivable - County	28	153	-	181
Prepaid expenses	445	-	-	445
Property taxes receivable	6,115	33,629	-	39,744
<b>TOTAL ASSETS</b>	<u>\$ 34,127</u>	<u>\$ 34,617</u>	<u>\$ -</u>	<u>\$ 68,744</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	5,422	-	-	5,422
Total liabilities	<u>5,422</u>	<u>-</u>	<u>-</u>	<u>5,422</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Property tax revenue	6,115	33,629	-	39,744
Total liabilities & deferred inflows	<u>11,537</u>	<u>33,629</u>	<u>-</u>	<u>45,166</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid expenses	445	-	-	445
Restricted for:				
Emergency reserves (TABOR)	214	-	-	214
Debt service	-	988	-	988
Unassigned	21,931	-	-	21,931
Total fund balances	<u>22,590</u>	<u>988</u>	<u>-</u>	<u>23,578</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 34,127</u>	<u>\$ 34,617</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(1,094,628)
Developer advances	(338,252)
Accrued bonds interest payable	(48,141)
Net position (deficit) of governmental activities	<u>\$ (1,457,443)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 6,715	\$ 36,932	\$ -	\$ 43,647
Specific ownership taxes	337	1,851	-	2,188
Net investment income	70	389	-	459
Total revenues	<u>7,122</u>	<u>39,172</u>	<u>-</u>	<u>46,294</u>
<b>EXPENDITURES</b>				
Current				
Accounting	13,585	-	-	13,585
Audit	6,300	-	-	6,300
Legal	9,688	-	-	9,688
Dues and memberships	311	-	-	311
County Treasurer's fees	118	540	-	658
Insurance and bonds	2,472	-	-	2,472
Paying agent fee	-	900	-	900
Miscellaneous	18	-	-	18
Debt service				
Bond interest	-	36,901	-	36,901
Total expenditures	<u>33,246</u>	<u>38,341</u>	<u>-</u>	<u>71,587</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(26,124)</u>	<u>831</u>	<u>-</u>	<u>(25,293)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advances	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,876	831	-	9,707
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>13,714</u>	<u>157</u>	<u>-</u>	<u>13,871</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 22,590</u>	<u>\$ 988</u>	<u>\$ -</u>	<u>\$ 23,578</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances-Total governmental funds	\$	9,707
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Developer advances		(35,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in accrued interest on developer advances		(15,729)
Change in accrued interest on bonds payable		<u>(6,884)</u>
Change in net position of governmental activities	\$	<u><u>(47,906)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 6,709	\$ 6,715	\$ 6
Specific ownership taxes	340	337	(3)
Net investment income	30	70	40
Total revenues	<u>7,079</u>	<u>7,122</u>	<u>43</u>
<b>EXPENDITURES</b>			
Current			
Accounting	13,000	13,585	(585)
Audit	5,500	6,300	(800)
County Treasurer's fees	50	118	(68)
Directors' fees	600	754	(154)
Dues and memberships	340	311	29
Insurance and bonds	2,500	2,472	28
Legal services	13,000	9,688	3,312
Miscellaneous	330	18	312
Contingency	3,180	-	3,180
Total expenditures	<u>38,500</u>	<u>33,246</u>	<u>5,254</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(31,421)</u>	<u>(26,124)</u>	<u>5,297</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in (out)	(5,600)	-	5,600
Developer advances - operations	32,000	35,000	3,000
Total other financing sources (uses)	<u>26,400</u>	<u>35,000</u>	<u>8,600</u>
<b>NET CHANGE IN FUND BALANCE</b>	(5,021)	8,876	<u>\$ 13,897</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	9,640	13,714	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,619</u>	<u>\$ 22,590</u>	

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Highland Estates Metropolitan District (District), a quasi-municipal corporation, was organized on December 5, 2007, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved on October 10, 2007. The District's service area is located in Weld County, Colorado entirely within the boundaries of the Town of Milliken. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, transportation, mosquito control, water facilities, sanitary sewer, and storm drainage.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Redemption of bonds is recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, other taxes and interest income.

The Debt Service Fund accounts for the resources that are restricted, committed or assigned for principal and interest on long-term general obligation debt of the govern-

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

mental funds, as well as financial resources being accumulated for future debt service.

The Capital Projects Fund is used to account for financial resources that are restricted, committed or assigned to the acquisition and construction of capital equipment and facilities.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

***Cash and Investments***

The District's cash and investments include cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

***Property Taxes***

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District are comprised of property taxes due from Weld County that will not be collected within 60 days of the end of the current fiscal year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

***Capital Assets***

Capital assets, which include infrastructure assets (e.g. road, bridges, sidewalks, and similar items), are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

***Long-term Liabilities***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance – Governmental Funds**

The fund balances for the District’s governmental funds are displayed in up to five components:

*Nonspendable* – amounts that are not in a spendable form or are required to be maintained intact. There was \$445 in nonspendable amounts as of December 31, 2021.

*Restricted* – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Restricted fund balance consists of the following:

- Emergency Reserves of \$214 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).
- The restricted fund balance in the Debt Service Fund in the amount of \$988 is to be used exclusively for the payment of future general obligation note principal, interest and related costs.

*Committed* – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District’s Board. There is no committed fund balance for the year ended December 31, 2021.

*Assigned* – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

*Unassigned* – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:

Deposit with financial institution	<u>\$ 28,374</u>
Total cash and investments	<u>\$ 28,374</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

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

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

**NOTE 4 - LONG-TERM OBLIGATIONS**

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

	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2021</b>	<b>Due Within One Year</b>
General Obligation Series 2018	\$ 1,094,628	\$ -	\$ -	\$ 1,094,628	\$ -
Developer advances payable	223,047	35,000	-	258,047	-
Interest on Developer advances	64,476	15,729	-	80,205	-
	<u>\$ 1,382,151</u>	<u>\$ 50,729</u>	<u>\$ -</u>	<u>\$ 1,432,880</u>	<u>\$ -</u>

**General Obligation Bonds, Series 2018**

The General Obligation Bonds, Series 2018, were issued on September 11, 2018, in a “draw-down” structure with a total principal amount of up to \$1,665,000. During 2018, the District made a draw on the bond funds in the amount of \$1,094,628, which represents the outstanding balance as of December 31, 2021. The bonds are payable from pledged revenue, after payment of the District’s current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves and ending fund balances. The bonds have an interest rate of 4.00% per annum from the date of issuance through November 30, 2028, then 6.50% per annum beginning December 1, 2028 until December 1, 2048.

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The bonds are secured by the Pledged Revenues and all moneys and earnings thereon held in the Funds or accounts created under the terms of the Indenture of Trust, between the District and UMB Bank, as trustee. Pledged Revenues consists of revenues derived from the imposition of the Required Mill Levy remitted to the District. The payment of debt service is initially limited to the amount of property tax revenues collected each year, and any unpaid debt service will be paid when funds are available in the future, once assessed values produce tax revenues in excess of scheduled debt service.

During 2021, the District collected taxes based on a mill levy of 65.000 mills, 10.000 for operations and 55.000 for debt service. At December 31, 2021, the District levied 65.044 mills for collections in 2022; 10.007 mills for operations and 55.037 mills for debt service.

As all of the bond funds have not been drawn upon and future maturities of principal are dependent on available funds, as noted above, a schedule of future debt maturities is not presented.

**Developer Advances Payable**

On January 1, 2017, the District entered into a Funding and Reimbursement agreement with Milliken Investors, LLC (Developer), which consolidated all previous promissory notes for funds advanced to the District and provided the terms for future advances. The advances under these agreements bear an annual interest rate of 2%, plus the current Federal Reserve Bank Prime Rate or 6%, whichever is greater. The District shall repay operational advances and accrued interest, subject to the annual appropriation of funds by the District upon a determination by the Board that funds are available for this repayment. The District may not impose a mill levy in excess of 50.00 mills for the repayment of these advances. At December 31, 2021, the District was indebted to the Developer for advances totaling \$258,047 plus \$80,205 of accrued interest for operational advances under the terms of this agreement.

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$10,200,000.

	<b>Authorized November 6, 2007 Election</b>	<b>Authorization Used, Series 2018 Bonds</b>	<b>Remaining at December 31, 2020</b>
Street improvements	\$ 2,000,000	\$ 655,910	\$ 1,344,090
Traffic and safety	2,000,000	18,112	1,981,888
Water	2,000,000	355,453	1,644,547
Storm and sanitation	2,000,000	65,153	1,934,847
Parks and recreation	2,000,000	-	2,000,000
Transportation	100,000	-	100,000
Mosquito control	100,000	-	100,000
	<u>\$ 10,200,000</u>	<u>\$ 1,094,628</u>	<u>\$ 9,105,372</u>

**NOTE 5- RELATED PARTIES**

Under the Service Plan, a Developer of the District is Southwestern Investment Group, LLC (SWIG), a Colorado limited liability company. The current members of the Board of Directors of the District are owners or associated with the Developer or its management and may have conflicts of interest in dealing with the District.

An affiliate of the Developer, Southwestern Property Corp. (SWPC) provided accounting services to the District in 2021 for total fees of \$13,585.

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 6 - NET POSITION**

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

Restricted assets include net position that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position of \$367 as of December 31, 2021, as follows:

Restricted Net Assets:	
Emergency reserves	\$ 214
Debt service	153
	<u>\$ 367</u>

The District's unrestricted net position (deficit) as of December 31, 2021 totaled \$(1,457,810). This deficit amount was a result of the District being responsible for the repayment of debt and developer advances for public improvements conveyed to other governmental entities.

**NOTE 8 - RISK MANAGEMENT**

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

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

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

**HIGHLAND ESTATES METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

## **SUPPLEMENTAL INFORMATION**

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 36,901	\$ 36,932	\$ 31
Specific ownership taxes	1,860	1,851	(9)
Interest income	10	389	379
Total revenues	<u>38,771</u>	<u>39,172</u>	<u>401</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	660	540	120
Paying agent fee	900	900	-
Interest expense	36,901	36,901	-
Total expenditures	<u>38,461</u>	<u>38,341</u>	<u>120</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>310</u>	<u>831</u>	<u>521</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	5,600	-	(5,600)
Total other financing sources (uses)	<u>5,600</u>	<u>-</u>	<u>(5,600)</u>
<b>NET CHANGE IN FUND BALANCE</b>	5,910	831	<u>\$ (5,079)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	1,689	157	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,599</u>	<u>\$ 988</u>	

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	-	-
Developer advances - capital outlay	-	-	-
Repayment of Developer advance	-	-	-
Transfer to Debt Service Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	<u>\$ -</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	

**HIGHLAND ESTATES METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2021**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Tax Levy</b>	<b>Mills Levied</b>		<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
		<b>Operations</b>	<b>Debt Service</b>	<b>Levied</b>	<b>Collected</b>	
2017	\$ 340,100	10.000	50.000	\$ 20,406	\$ 71,457	350.18%
2018	\$ 233,650	10.000	50.000	\$ 14,019	\$ 20,258	144.50%
2019	\$ 242,010	10.000	50.000	\$ 14,521	\$ 14,215	97.89%
2020	\$ 785,490	10.000	55.000	\$ 51,057	\$ 14,521	28.44%
2021	\$ 670,480	10.007	55.037	\$ 43,611	\$ 43,647	100.08%
Estimated for the year ending December 31, 2022	\$ 611,030	10.007	55.037	\$ 39,744		