

**HOMESTEAD HILLS METROPOLITAN DISTRICT
ADAMS COUNTY, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**HOMESTEAD HILLS METROPOLITAN DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Homestead Hills Metropolitan District
Adams County, Colorado

Opinions

We have audited the financial statements of the governmental activities and each major fund of Homestead 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2021, and the respective changes in financial position thereof, and the respective budgetary comparisons 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 opinions.

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Fiscal Focus Partners, LLC

Auditor's Responsibility 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 opinions. 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 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 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 GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 to 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.

Required Supplementary Information

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary and other information (together, the information) as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Matters

Economic Dependency

As disclosed in Note 10 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Greenwood Village,

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 29, 2022

BASIC FINANCIAL STATEMENTS

**HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 3,327
Cash and Investments - Restricted	230,272
Receivable - County Treasurer	2,584
Property Taxes Receivable	309,569
Capital Assets, Not Being Depreciated	1,010,547
Capital Assets, Net	<u>2,102,070</u>
Total Assets	<u>3,658,369</u>
LIABILITIES	
Accounts Payable	23,201
Accrued Interest Payable	9,250
Unearned Maintenance Fees	652
Noncurrent Liabilities:	
Due Within One Year	4,988
Due in More Than One Year	<u>4,212,844</u>
Total Liabilities	<u>4,250,935</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>309,569</u>
Total Deferred Inflows of Resources	<u>309,569</u>
NET POSITION	
Restricted for:	
Emergency Reserves	2,700
Debt Service	228,890
Capital Projects	42
Unrestricted	<u>(1,133,767)</u>
Total Net Position	<u><u>\$ (902,135)</u></u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 257,543	\$ 26,009	\$ 50,000	\$ -	\$ (181,534)
Interest and Related					
Costs on Long-Term Debt	247,947	-	-	-	(247,947)
Total Governmental Activities	\$ 505,490	\$ 26,009	\$ 50,000	\$ -	(429,481)
 GENERAL REVENUES					
Property Taxes					186,032
Specific Ownership Taxes					3,000
Other Revenue					13,975
Interest Income					250
Total General Revenues					203,257
 CHANGE IN NET POSITION					
					(226,224)
Net Position - Beginning of Year					(675,911)
 NET POSITION - END OF YEAR					
					\$ (902,135)

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 2,833	\$ 494	\$ -	\$ -	\$ 3,327
Cash and Investments - Restricted	2,700	-	227,530	42	230,272
Receivable - County Treasurer	1,224	-	1,360	-	2,584
Property Taxes Receivable	146,636	-	162,933	-	309,569
 Total Assets	\$ 153,393	\$ 494	\$ 391,823	\$ 42	\$ 545,752
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 5,818	\$ 17,383	\$ -	\$ -	\$ 23,201
Unearned Maintenance Fees	-	652	-	-	652
Total Liabilities	5,818	18,035	-	-	23,853
 DEFERRED INFLOWS OF RESOURCES					
Property Tax Revenue	146,636	-	162,933	-	309,569
Total Deferred Inflows of Resources	146,636	-	162,933	-	309,569
 FUND BALANCES					
Restricted					
Emergency Reserve	2,700	-	-	-	2,700
Debt Service	-	-	228,890	-	228,890
Capital Projects	-	-	-	42	42
Unassigned	(1,761)	(17,541)	-	-	(19,302)
Total Fund Balances	939	(17,541)	228,890	42	212,330
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 153,393	\$ 494	\$ 391,823	\$ 42	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

3,112,617

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

Bonds Payable, Net of Premium

(3,044,964)

Developer Advance Payable

(1,023,225)

Interest Payable on Developer Advance

(41,463)

Interest Payable on Bonds - Series 2020A

(9,250)

Interest Payable on Bonds - Series 2020B

(108,180)

Net Position of Governmental Activities

\$ (902,135)

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	\$ 88,120	\$ -	\$ 97,912	\$ -	\$ 186,032
Specific Ownership Taxes	1,421	-	1,579	-	3,000
Maintenance Fees	-	26,009	-	-	26,009
Other Revenue	-	13,975	-	-	13,975
Interest Income	101	-	133	16	250
Total Revenues	<u>89,642</u>	<u>39,984</u>	<u>99,624</u>	<u>16</u>	<u>229,266</u>
EXPENDITURES					
Current:					
Accounting	21,319	-	-	-	21,319
Auditing	4,350	-	-	-	4,350
Billing	-	11,896	-	-	11,896
County Treasurer's Fees	1,323	-	1,469	-	2,792
District Management	-	10,547	-	-	10,547
Dues and Licenses	1,290	-	-	-	1,290
Election Expense	232	-	-	-	232
Electricity	-	554	-	-	554
Fertilization/Weed/Insect	-	1,630	-	-	1,630
Insurance and Bonds	2,630	-	-	-	2,630
Landscaping	-	28,733	-	-	28,733
Legal	19,457	-	-	-	19,457
Miscellaneous	1,350	691	-	-	2,041
Repairs and Maintenance	-	6,806	-	-	6,806
Snow Removal	-	33,898	-	-	33,898
Water	-	37,763	-	-	37,763
Debt Service:					
Bond Interest	-	-	111,000	-	111,000
Paying Agent Fees	-	-	7,000	-	7,000
Total Expenditures	<u>51,951</u>	<u>132,518</u>	<u>119,469</u>	<u>-</u>	<u>303,938</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,691	(92,534)	(19,845)	16	(74,672)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from Other Funds	(40,000)	40,000	-	-	-
Developer Contribution	-	50,000	-	-	50,000
Repay Developer Advance	-	-	-	(239,056)	(239,056)
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>90,000</u>	<u>-</u>	<u>(239,056)</u>	<u>(189,056)</u>
NET CHANGE IN FUND BALANCES	(2,309)	(2,534)	(19,845)	(239,040)	(263,728)
Fund Balances (Deficit) - Beginning of Year	<u>3,248</u>	<u>(15,007)</u>	<u>248,735</u>	<u>239,082</u>	<u>476,058</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 939</u>	<u>\$ (17,541)</u>	<u>\$ 228,890</u>	<u>\$ 42</u>	<u>\$ 212,330</u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balance - Total Governmental Funds \$ (263,728)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Depreciation (73,074)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repay Developer Advances 239,056

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.

Accrued Bond Interest Payable - Change in Liability (61,495)

Accrued Interest Payable - Developer Advances (71,971)

Amortization of Bond Premium 4,988

Change in Net Position of Governmental Activities \$ (226,224)

**HOMESTEAD HILLS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 88,120	\$ 88,120	\$ 88,120	\$ -
Specific Ownership Taxes	6,168	6,168	1,421	(4,747)
Interest Income	-	250	101	(149)
Total Revenues	<u>94,288</u>	<u>94,538</u>	<u>89,642</u>	<u>(4,896)</u>
EXPENDITURES				
General and Administrative				
Accounting	15,000	22,000	21,319	681
Auditing	4,350	4,500	4,350	150
County Treasurer's Fees	1,322	1,322	1,323	(1)
Dues and Licenses	500	1,500	1,290	210
Election Expense	-	500	232	268
Insurance and Bonds	2,380	3,500	2,630	870
Legal	20,000	20,000	19,457	543
Miscellaneous	-	2,178	1,350	828
Total Expenditures	<u>43,552</u>	<u>55,500</u>	<u>51,951</u>	<u>3,549</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,736	39,038	37,691	(1,347)
OTHER FINANCING SOURCES (USES)				
Transfers to Other Fund	(48,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	<u>(48,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,736	(962)	(2,309)	(1,347)
Fund Balances - Beginning of Year	<u>861</u>	<u>3,248</u>	<u>3,248</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,597</u>	<u>\$ 2,286</u>	<u>\$ 939</u>	<u>\$ (1,347)</u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Maintenance Fees	\$ 27,600	\$ 40,000	\$ 26,009	\$ (13,991)
Other Revenue	-	-	13,975	13,975
Total Revenues	<u>27,600</u>	<u>40,000</u>	<u>39,984</u>	<u>(16)</u>
EXPENDITURES				
Operations and Maintenance:				
Billing	10,000	12,000	11,896	104
Detention Pond	3,500	-	-	-
District Management	9,600	11,000	10,547	453
Electricity	2,200	1,000	554	446
Fertilization/Weed/Insect	4,322	1,700	1,630	70
Landscaping	28,262	30,000	28,733	1,267
Legal - Operations	5,000	-	-	-
Miscellaneous	2,000	1,000	691	309
Monument	5,000	-	-	-
Native Area Maintenance	2,286	-	-	-
Repairs and Maintenance	20,766	7,000	6,806	194
Snow Removal	8,700	35,000	33,898	1,102
Water	11,319	38,000	37,763	237
Water - Native	1,255	-	-	-
Total Expenditures	<u>114,210</u>	<u>136,700</u>	<u>132,518</u>	<u>4,182</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(86,610)	(96,700)	(92,534)	4,166
OTHER FINANCING SOURCES (USES)				
Developer Contribution	51,000	72,000	50,000	(22,000)
Transfers from Other Fund	48,000	40,000	40,000	-
Total Other Financing Sources (Uses)	<u>99,000</u>	<u>112,000</u>	<u>90,000</u>	<u>(22,000)</u>
NET CHANGE IN FUND BALANCES	12,390	15,300	(2,534)	(17,834)
Fund Balances - Beginning of Year	<u>-</u>	<u>(15,007)</u>	<u>(15,007)</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,390</u>	<u>\$ 293</u>	<u>\$ (17,541)</u>	<u>\$ (17,834)</u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

Homestead Hills Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County on May 23, 2018 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Thornton on February 27, 2018. The District's service area is located entirely within the City of Thornton, Adams County, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements, including streets and safety controls, water, storm and sanitary sewer, and park and recreation facilities, primarily for single family residential development within the District.

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

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

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect 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 the 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.

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 has 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 due.

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.

The Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the direct and indirect costs of facilities and maintenance.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and other financing uses 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.

The District amended its annual budget for the year ended December 31, 2021.

Pooled Cash

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's 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.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns 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 acquisition value at the date of donation.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 the net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Infrastructure	30-50 Years
Parks and Recreation	15-50 Years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

The District has a deficit in fund balance for the Special Revenue Fund. This deficit amount will be eliminated with the receipt of Developer contributions in 2022.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 3,327
Cash and Investments - Restricted	<u>230,272</u>
Total Cash and Investments	<u><u>\$ 233,599</u></u>

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

Deposits with Financial Institutions	\$ 6,027
Investments	<u>227,572</u>
Total Cash and Investments	<u><u>\$ 233,599</u></u>

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 102.00% 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.

At December 31, 2021, the District's cash deposits had a bank and carrying balance of \$6,027.

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 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 or investment custodial risk disclosure requirements 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.

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
- . Certain certificates of participation
- . Certain securities lending agreements
- . 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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 227,572</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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 any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ is rated AAAM by Standard & Poor’s. COLOTRUST EDGE is rated AAAs/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District holds all its investments in the COLOTRUST PRIME portfolio.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Street Intersection	\$ 1,509,141	\$ -	\$ 1,509,141	\$ -
Water and Sanitation	1,010,547	-	-	1,010,547
Total Capital Assets, Not Being Depreciated	2,519,688	-	1,509,141	1,010,547
Capital Assets, Being Depreciated:				
Infrastructure	-	1,509,141	-	1,509,141
Parks and Recreation	683,080	-	-	683,080
Total Capital Assets, Being Depreciated	683,080	1,509,141	-	2,192,221
Less Accumulated Depreciation for:				
Infrastructure	-	50,305	-	50,305
Parks and Recreation	17,077	22,769	-	39,846
Total Accumulated Depreciation	17,077	73,074	-	90,151
Total Capital Assets, Being Depreciated, Net	666,003	1,436,067	-	2,102,070
Governmental Activities Capital Assets, Net	<u>\$ 3,185,691</u>	<u>\$ 1,436,067</u>	<u>\$ 1,509,141</u>	<u>\$ 3,112,617</u>

The District is responsible for the repayment of bonds issued to construct the aforementioned improvements. Consequently, a deficit balance is reflected on the District's statement of net position. Depreciation expense was charged to the General Government function of the District.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance - December 31, 2020	Additions	Retirements	Balance - December 31, 2021	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable:					
Series 2020A General Obligation	\$ 2,220,000	\$ -	\$ -	\$ 2,220,000	\$ -
Series 2020B General Obligation	722,000	-	-	722,000	-
Accrued Interest Series 2020B					
General Obligation	46,685	61,495	-	108,180	-
Notes from Direct Borrowings and Direct Placements:					
Developer Advance Operating	141,123	-	-	141,123	-
Developer Advance Capital	1,028,147	-	146,045	882,102	-
Accrued Interest - Developer Advance Operating	7,942	9,173	-	17,115	-
Accrued Interest - Developer Advance Capital	54,561	62,798	93,011	24,348	-
Total Bonds/Loan Payable	<u>4,220,458</u>	<u>133,466</u>	<u>239,056</u>	<u>4,114,868</u>	<u>-</u>
Series 2020A Bond Premium	<u>107,952</u>	<u>-</u>	<u>4,988</u>	<u>102,964</u>	<u>4,988</u>
Total Long-Term Obligations	<u>\$ 4,328,410</u>	<u>\$ 133,466</u>	<u>\$ 244,044</u>	<u>\$ 4,217,832</u>	<u>\$ 4,988</u>

The details of the District's general obligation bonds outstanding during 2021 are as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A (the Senior Bonds) and **Subordinate Limited Tax General Obligation Bonds, Series 2020B(3)** (the Subordinate Bonds, and together with the Senior Bonds, the Bonds)

Bond Proceeds

The District issued the Bonds on March 11, 2020, in the par amounts of \$2,220,000 for the Senior Bonds and \$722,000 for the Subordinate Bonds. Proceeds from the sale of the Bonds were used to finance or reimburse a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the development. A portion of the proceeds of the Senior Bonds were also used to fund: (a) the Reserve Fund, (b) capitalized interest on the Senior Bonds, and (c) costs of issuing the Bonds.

Senior Bonds Details

The Senior Bonds bear interest at 5.00% per annum and are payable semiannually on June 1 and December 1, beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2023. The Senior Bonds mature on December 1, 2050.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Senior Bonds Details (Continued)

To the extent principal of any Senior Bonds is not paid when due, such principal shall remain outstanding until paid, subject to discharge of the Senior Bonds on December 1, 2059 (the Senior Bonds Discharge Date). To the extent interest on any Senior Bonds is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the Senior Bond.

In the event any amounts due on the Senior Bonds remain unpaid after the application of all Senior Pledged Revenue available on the Senior Bonds Discharge Date, such amounts shall be deemed discharged and shall no longer be due and outstanding, regardless of the amount of principal and interest paid prior to the Senior Bonds Discharge Date.

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
March 1, 2025, to February 28, 2026	3.00%
March 1, 2026, to February 28, 2027	2.00
March 1, 2027, to February 29, 2028	1.00
March 1, 2028, and thereafter	0.00

Senior Bonds Pledged Revenue

The Senior Bonds are secured by Senior Pledged Revenue which means: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Capital Fees, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

“Senior Property Tax Revenues” means all moneys derived from imposition by the District of the Senior Required Mill Levy. Senior Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County and do not include specific ownership tax revenues.

“Senior Specific Ownership Tax Revenues” means the specific ownership taxes remitted to the District as a result of its imposition of the Senior Required Mill Levy.

“Capital Fees” means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District pledged to the payment of the Senior Bonds. Capital Fees does not include any fee imposed solely for the purpose of funding operations and maintenance expenses. The District does not presently impose Capital Fees and is not required to do so.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Senior Required Mill Levy

Prior to the Conversion Date, the District is required to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due (less any amount then on deposit in the Senior Bond Fund and, solely to the extent provided in the Senior Indenture, the Surplus Fund and the Reserve Fund, respectively) and to replenish the Reserve Fund to the Reserve Requirement, but not in excess of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2004).

For so long as the Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, the Senior Required Mill Levy is to be equal to 50 mills (subject to adjustment), or such lesser amount that will generate Senior Property Tax Revenues (A) sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due, to replenish the Reserve Fund to the Reserve Requirement, and to fully fund the Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund, the Surplus Fund, and the Reserve Fund, will pay the Senior Bonds in full in the year such levy is collected.

On and after the Conversion Date, an ad valorem mill levy is to be imposed upon all taxable property of the District each year in an amount necessary (without limitation as to rate) to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due (less any amounts then on deposit in the Senior Bond Fund and, solely as provided in the Senior Indenture, the Reserve Fund) and to replenish the Reserve Fund to the Reserve Requirement. On and after the Conversion Date, the definition of "Senior Required Mill Levy" shall be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

The Conversion Date is the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50.00% or less; (b) no amounts of principal or interest on the Senior Bonds are due but unpaid; and (c) the amount on deposit in the Reserve Fund is not less than the Reserve Requirement. Debt means the aggregate outstanding principal amount of the Senior Bonds, any Parity Bonds, the Subordinate Bonds, and any other obligation for which the District is obligated to impose ad valorem taxes and/or collect fee revenue.

Additional Security for Senior Bonds

The Senior Bonds are additionally secured by capitalized interest which was funded from proceeds of the Senior Bonds in the amount of \$135,667, by the Reserve Fund which was funded from proceeds of the Senior Bonds in the amount of the Reserve Requirement of \$170,750, and by amounts, if any, in the Surplus Fund.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Additional Security for Senior Bonds (Continued)

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$222,000. The Surplus Fund is to be maintained until the Conversion Date, at which time such fund will be terminated and all amounts on deposit are to be released to the District for application to any lawful purpose. Pursuant to the Subordinate Indenture, amounts released from the Surplus Fund are pledged to the repayment of the Subordinate Bonds. The balance in the Surplus Fund as of December 31, 2021, is \$47,454.

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 8.000% per annum and are payable annually on December 15, beginning December 15, 2020 from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2050. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

All of the Subordinate Bonds and interest thereon are to be deemed to be discharged after the application of all available Subordinate Pledged Revenue on December 15, 2059 (the "Subordinate Bonds Discharge Date"), regardless of the amount of principal and interest paid prior to the Subordinate Bonds Discharge Date.

Subordinate Bonds Optional Redemption

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
March 1, 2025, to February 28, 2026	3.00%
March 1, 2026, to February 28, 2027	2.00
March 1, 2027, to February 29, 2028	1.00
March 1, 2028, and thereafter	0.00

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by Subordinate Pledged Revenue which means: (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue, if any, (d) any amounts in the Surplus Fund upon the termination of such fund pursuant to the Senior Indenture; and (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Pledged Revenue (Continued)

“Subordinate Property Tax Revenues” means all moneys derived from imposition by the District of the Subordinate Required Mill Levy and excludes Subordinate Specific Ownership Tax Revenues. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County.

“Subordinate Specific Ownership Tax Revenues” means the specific ownership taxes remitted to the District as a result of its imposition of the Subordinate Required Mill Levy.

“Subordinate Capital Fee Revenue” means any revenue from Capital Fees remaining after deduction of any amount applied to the payment of any Senior Obligations.

Subordinate Required Mill Levy

The District is required to impose a Subordinate Required Mill Levy upon all taxable property in the District each year in an amount equal to (i) 50 mills (as adjusted) less the Senior Obligation Mill Levy, or (ii) such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Subordinate Bonds in full in the year such levy is collected. Senior Obligation Mill Levy means the sum of the Senior Required Mill Levy and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations.

Senior Bonds Debt Service

The outstanding principal and interest of the Senior Bonds are due as follows:

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 111,000	\$ 111,000
2023	20,000	111,000	131,000
2024	20,000	110,000	130,000
2025	25,000	109,000	134,000
2026	25,000	107,750	132,750
2027-2031	180,000	515,750	695,750
2032-2036	270,000	462,750	732,750
2037-2041	390,000	384,000	774,000
2042-2046	545,000	271,750	816,750
2047-2050	745,000	108,250	853,250
Total	<u>\$ 2,220,000</u>	<u>\$ 2,291,250</u>	<u>\$ 4,511,250</u>

The annual debt service requirements on the Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On May 8, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$96,250,000 at an interest rate not to exceed 18.00% per annum. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 8, 2018	Authorization Used for 2020 Bonds	Authorized But Unissued
Street Improvements	\$ 8,750,000	\$ 1,386,267	\$ 7,363,733
Parks and Recreation	8,750,000	627,464	8,122,536
Water Supply	8,750,000	580,428	8,169,572
Sanitary Sewer	8,750,000	347,841	8,402,159
Public Transportation	8,750,000	-	8,750,000
Mosquito Control	8,750,000	-	8,750,000
Safety Protection	8,750,000	-	8,750,000
Fire Protection	8,750,000	-	8,750,000
TV Relay and Translation	8,750,000	-	8,750,000
Security	8,750,000	-	8,750,000
Debt Refunding	8,750,000	-	8,750,000
Total	<u>\$ 96,250,000</u>	<u>\$ 2,942,000</u>	<u>\$ 93,308,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$8,750,000.

NOTE 6 AGREEMENTS

Funding and Reimbursement Agreement

On May 22, 2019, the District entered into a Funding and Reimbursement Agreement to repay advances made by the Developer for administration and operational costs. The District agreed to repay Carlson and KB Homes (Developers) for such costs plus accrued interest at the rate of 6.50% per annum. Developers obligation to advance funds to the District terminated on December 31, 2020. As of December 31, 2021, outstanding advances under the agreement totaled \$141,123 and accrued interest totaled \$17,115.

Amended and Restated Infrastructure Acquisition and Reimbursement Agreement

On February 18, 2020, the District amended and restated the Infrastructure Acquisition and Reimbursement Agreement to repay advances made by the Developer for infrastructure costs. The District agreed to repay the Carlson (Developer) for such certified capital advances plus accrued interest at the rate of 6.50% per annum. This agreement was terminated on March 10, 2020. As of December 31, 2021, outstanding capital advances under the agreement totaled \$882,102 and accrued interest totaled \$24,348.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 OPERATION FEE

Effective March 5, 2019, the District passed a resolution related to the imposition of an Operating Fee to be used solely for the purpose of paying operation costs. The Operation Fee consists of a recurring payment and a separate transfer fee payment imposed on transfers of a residential unit. The recurring payment is \$23 per month and to be paid quarterly and the transfer fee is \$325 per residential transfer. During 2021, the District recognized \$26,009 in Operation Fees and \$13,975 in transfer fees.

NOTE 8 NET POSITION

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

Restricted net position includes assets 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 as of December 31, 2021, of \$231,632.

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities.

NOTE 9 RELATED PARTY

The Developer and homebuilder of the property which constitutes the District is Carlson Associates and KB Homes, respectively. The majority of the members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 10 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 11 INTERFUND AND OPERATING TRANSFERS

The transfer from the General Fund to the Special Revenue Fund was to cover operational expenditures.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 12 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 (the Pool). 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 three 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.

NOTE 13 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, 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.

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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 interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**HOMESTEAD HILLS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 97,912	\$ 97,912	\$ -
Specific Ownership Taxes	6,854	1,579	(5,275)
Interest Income	450	133	(317)
Total Revenues	<u>105,216</u>	<u>99,624</u>	<u>(5,592)</u>
EXPENDITURES			
Bond Interest	111,000	111,000	-
County Treasurer's Fees	1,469	1,469	-
Paying Agent Fees	7,000	7,000	-
Total Expenditures	<u>119,469</u>	<u>119,469</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(14,253)	(19,845)	(5,592)
Fund Balance - Beginning of Year	<u>248,793</u>	<u>248,735</u>	<u>(58)</u>
FUND BALANCE - END OF YEAR	<u>\$ 234,540</u>	<u>\$ 228,890</u>	<u>\$ (5,650)</u>

**HOMESTEAD HILLS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest Income	\$ -	\$ 20	\$ 16	\$ (4)
Total Revenues	<u>-</u>	<u>20</u>	<u>16</u>	<u>(4)</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	20	16	(4)
OTHER FINANCING SOURCES (USES)				
Repay Developer Advance	-	(239,056)	(239,056)	-
Transfers (to) from Other Funds	<u>-</u>	<u>(46)</u>	<u>-</u>	<u>46</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(239,102)</u>	<u>(239,056)</u>	<u>46</u>
NET CHANGE IN FUND BALANCE	-	(239,082)	(239,040)	42
Fund Balance - Beginning of Year	<u>-</u>	<u>239,082</u>	<u>239,082</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 42</u>

OTHER INFORMATION

**HOMESTEAD HILLS METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2018	\$ -	-	-	\$ -	\$ -	- %
2019	820	45.000	50.000	77	77	100.00
2020	378,740	45.000	50.000	35,980	35,876	99.71
2021	1,758,990	50.097	55.664	186,032	186,032	100.00
Estimated for the Year Ending December 31, 2022	\$ 2,927,070	50.097	55.664	\$ 309,569		

**HOMESTEAD HILLS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021**

\$2,200,000 General Obligation (Limited Tax
Convertible to Unlimited Tax) Bonds
Series 2020A
Dated March 11, 2020
Principal Due December 1
Interest Due June 1 And December 1
Interest Rate 5.00%

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 111,000	\$ 111,000
2023	20,000	111,000	131,000
2024	20,000	110,000	130,000
2025	25,000	109,000	134,000
2026	25,000	107,750	132,750
2027	30,000	106,500	136,500
2028	35,000	105,000	140,000
2029	35,000	103,250	138,250
2030	40,000	101,500	141,500
2031	40,000	99,500	139,500
2032	45,000	97,500	142,500
2033	50,000	95,250	145,250
2034	55,000	92,750	147,750
2035	55,000	90,000	145,000
2036	65,000	87,250	152,250
2037	65,000	84,000	149,000
2038	75,000	80,750	155,750
2039	75,000	77,000	152,000
2040	85,000	73,250	158,250
2041	90,000	69,000	159,000
2042	95,000	64,500	159,500
2043	100,000	59,750	159,750
2044	110,000	54,750	164,750
2045	115,000	49,250	164,250
2046	125,000	43,500	168,500
2047	130,000	37,250	167,250
2048	140,000	30,750	170,750
2049	145,000	23,750	168,750
2050	330,000	16,500	346,500
Total	<u>\$ 2,220,000</u>	<u>\$ 2,291,250</u>	<u>\$ 4,511,250</u>