

HOMETOWN METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2022

with

Independent Auditor's Report

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Board of Directors  
Hometown Metropolitan District No. 2  
Jefferson County, Colorado

Independent Auditor’s Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hometown Metropolitan District No. 2 (the “District”), as of and for the year ended December 31, 2022, 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 Hometown Metropolitan District No. 2 as of December 31, 2022, and the respective changes in financial position and the respective 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 (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 (GAAP), 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.

## 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 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 judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

## Other Matters

### Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

### Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

September 12, 2023

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>					
Cash and investments	\$ 12,828	\$ -	\$ 12,828	\$ -	\$ 12,828
Cash and investments - restricted	897	97,925	98,822	-	98,822
Receivable County Treasurer	124	247	371	-	371
Prepaid expenses	3,021	-	3,021	-	3,021
Property taxes receivable	<u>27,081</u>	<u>54,162</u>	<u>81,243</u>	<u>-</u>	<u>81,243</u>
 Total Assets	 <u>\$ 43,951</u>	 <u>\$ 152,334</u>	 <u>\$ 196,285</u>	 <u>-</u>	 <u>196,285</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,247	\$ -	\$ 3,247	-	3,247
Accrued interest on bonds	-	-	-	3,431	3,431
Long-term liabilities					
Due within one year	-	-	-	30,000	30,000
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,000</u>	<u>580,000</u>
 Total Liabilities	 <u>3,247</u>	 <u>-</u>	 <u>3,247</u>	 <u>613,431</u>	 <u>616,678</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	<u>27,081</u>	<u>54,162</u>	<u>81,243</u>	<u>-</u>	<u>81,243</u>
 Total Deferred Inflows of Resources	 <u>27,081</u>	 <u>54,162</u>	 <u>81,243</u>	 <u>-</u>	 <u>81,243</u>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Nonspendable:					
Prepays	3,021	-	3,021	(3,021)	-
Restricted:					
Emergencies	897	-	897	(897)	-
Debt service	-	98,172	98,172	(98,172)	-
Unassigned	<u>9,705</u>	<u>-</u>	<u>9,705</u>	<u>(9,705)</u>	<u>-</u>
 Total Fund Balances	 <u>13,623</u>	 <u>98,172</u>	 <u>111,795</u>	 <u>(111,795)</u>	 <u>-</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 43,951</u>	 <u>\$ 152,334</u>	 <u>\$ 196,285</u>		
<b>NET POSITION</b>					
Restricted for:					
Emergencies				897	897
Debt service				98,172	98,172
Unrestricted				<u>(600,705)</u>	<u>(600,705)</u>
 Total Net Position (Deficit)				 <u>\$ (501,636)</u>	 <u>\$ (501,636)</u>

The notes to the financial statements are an integral part of these statements.

**HOMETOWN METROPOLITAN DISTRICT NO. 2**

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

For the Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Position</u>
EXPENDITURES					
Accounting and audit	\$ 3,834	\$ -	\$ 3,834	\$ -	\$ 3,834
Insurance	2,967	-	2,967	-	2,967
Legal	15,510	-	15,510	-	15,510
Director's fees	200	-	200	-	200
Miscellaneous	40	-	40	-	40
Election Fees	3,975	-	3,975	-	3,975
Treasurer's fees	418	837	1,255	-	1,255
Bond interest expense	-	43,200	43,200	(169)	43,031
Bond principal	-	30,000	30,000	(30,000)	-
Paying agent fees	-	1,500	1,500	-	1,500
	<u>26,944</u>	<u>75,537</u>	<u>102,481</u>	<u>(30,169)</u>	<u>72,312</u>
GENERAL REVENUES					
Property taxes	27,878	55,756	83,634	-	83,634
Specific ownership taxes	1,919	3,837	5,756	-	5,756
Interest income	1,765	876	2,641	-	2,641
	<u>31,562</u>	<u>60,469</u>	<u>92,031</u>	<u>-</u>	<u>92,031</u>
NET CHANGE IN FUND BALANCES	4,618	(15,068)	(10,450)	10,450	
CHANGES IN NET POSITION				19,719	19,719
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>9,005</u>	<u>113,240</u>	<u>122,245</u>	<u>(643,600)</u>	<u>(521,355)</u>
END OF YEAR	<u>\$ 13,623</u>	<u>\$ 98,172</u>	<u>\$ 111,795</u>	<u>\$ (613,431)</u>	<u>\$ (501,636)</u>

The notes to the financial statements are an integral part of these statements.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2022

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 27,949	\$ 27,878	\$ (71)
Specific ownership taxes	1,398	1,919	521
Interest income	<u>500</u>	<u>1,765</u>	<u>1,265</u>
Total Revenues	<u>29,847</u>	<u>31,562</u>	<u>1,715</u>
<b>EXPENDITURES</b>			
Accounting and audit	3,000	3,834	(834)
Insurance	3,500	2,967	533
Legal	7,000	15,510	(8,510)
Director's fees	300	200	100
Miscellaneous	100	40	60
Election Fees	5,000	3,975	1,025
Treasurer's fees	419	418	1
Contingency	21,079	-	21,079
Emergency reserve	<u>580</u>	<u>-</u>	<u>580</u>
Total Expenditures	<u>40,978</u>	<u>26,944</u>	<u>14,034</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,131)	4,618	15,749
<b>OTHER FINANCING USES</b>			
Transfer to other funds	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Total Other Financing Uses	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCE	(26,131)	4,618	30,749
FUND BALANCE - BEGINNING OF YEAR	<u>26,131</u>	<u>9,005</u>	<u>(17,126)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 13,623</u>	<u>\$ 13,623</u>

The notes to the financial statements are an integral part of these statements.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2022

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Hometown Metropolitan District No. 2 (the “District”), located within the City of Arvada (“City”), in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on June 13, 2008, concurrently with Hometown Metropolitan District No. 1 (“District No. 1”), Hometown Metropolitan District No. 3 (“District No. 3”) and Hometown Metropolitan District No. 4 (“District No. 4”) (collectively, the “Districts”), as a quasi-municipal corporation and political subdivision of the State of Colorado Special District Act. Both District No. 3 and District No. 4 dissolved on January 28, 2016. On May 8, 2016, District No. 1 changed its name to Westtown Metropolitan District and operates separately from the District. The District was organized to provide essential public improvements within and without the boundaries of the Districts, and as part of a common plan to serve the needs of the mixed-use development commonly known as Hometown. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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*.

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

#### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

#### Assets, Liabilities and Net Position

##### Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

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

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 minimum number of bank accounts. 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.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting under this category.

In addition to liabilities, the statement of net position will sometimes report 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(s) 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. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Long-Term Obligations

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

#### 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

#### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$3,021 represents prepaid insurance.

#### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$897 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$98,172 is restricted for the payment of the debt service costs associated with the General Obligation Bonds Series 2010 (see Note 3).

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

#### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

HOMETOWN METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2022

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2022 the District did not have any funds in this category.

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

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

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

Note 2: Cash and Investments

As of December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 12,828
Cash and investments – restricted	<u>98,822</u>
Total	<u>\$ 111,650</u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits with financial institutions	\$ 9,570
Investments - COLOTRUST	<u>102,080</u>
Total	<u>\$ 111,650</u>

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

#### Deposits

##### Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. 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. The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

#### Investments

##### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is not required to be categorized within the fair value hierarchy. This investment’s value is calculated using the net asset value method (NAV) per share.

##### Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

##### Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

##### Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

As of December 31, 2022, the District had the following investment:

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST” or the “Trust”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2022, the District had \$102,080 invested in COLOTRUST.

#### Note 3: Long-term Debt

General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Series 2010 – On May 3, 2010 the District issued \$800,000 of general obligation limited tax bonds Series 2010 (“Series 2010 Bonds”) for the purpose of paying the costs of acquiring, constructing, and installation of public facilities, providing capitalized interest for payment of a portion of the interest on the Bonds, and paying the costs of issuance of the bonds. The Series 2010 Bonds are term bonds due December 1, 2034, with mandatory sinking fund payments beginning December 1, 2013, and increasing annually thereafter. The Series 2010 Bonds bear interest at 6.75%, to be paid on June 1 and December 1 of each year beginning June 1, 2010.

The Series 2010 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2020 and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

HOMETOWN METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2022

Events of Default as defined in the Series 2010 Bond Indenture are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2010 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2010 Bonds is not an available remedy for an Event of Default.

The following is an analysis of changes in long-term debt for the period ending December 31, 2022:

	<u>Balance</u> <u>1/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2022</u>	<u>Current</u> <u>Portion</u>
General Obligation					
Series 2010 Bonds	\$ 640,000	\$ -	\$ 30,000	\$ 610,000	\$ 30,000
	<u>\$ 640,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 610,000</u>	<u>\$ 30,000</u>

The following is a summary of the annual long-term debt principal and interest requirements:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 30,000	\$ 41,175	\$ 71,175
2024	35,000	39,150	74,150
2025	35,000	36,788	71,788
2026	40,000	34,425	74,425
2027	45,000	31,725	76,725
2028-2032	280,000	108,338	388,338
2033-2034	145,000	14,850	159,850
	<u>\$ 610,000</u>	<u>\$ 306,451</u>	<u>\$ 916,451</u>

On May 6, 2008, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of \$7,500,000 for new improvements. The District's Service Plan includes a debt authorization limit of \$7,500,000. As of December 31, 2022, the amount of unissued debt authorized under the Service Plan was \$6,700,000.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

Note 4: Operations and Maintenance Agreement

On April 10, 2010, Hometown Metropolitan District No. 1 (now known as Westtown Metropolitan District) (“District No. 1”) and Hometown Community Association, Inc. (the “Association”) entered into an Operations and Maintenance Agreement whereby, District No. 1 granted an easement to the Association for the operations and maintenance of various improvements, and the Association agreed to operate and maintain the improvements at its sole cost. The Association also agreed to pay any taxes levied upon or assessed against the tracts upon receipt of notice of such taxes due by the Association either from District No. 1 or the taxing authority. The agreement has a 30-year term from the date of the agreement. On October 17, 2016, the District and District No. 1 entered into an Assignment and Assumption of Operations and Maintenance Agreement, whereby all of District No. 1’s rights were assigned to the District.

Note 5: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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 interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 6, 2008, 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 Article X, Section 20 of the Colorado Constitution.

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2022

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“the Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) long-term liabilities such as bonds payable, and accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 2) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

## HOMETOWN METROPOLITAN DISTRICT NO. 2

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2022

	Original/Final <u>Budget</u>	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 55,899	\$ 55,756	\$ (143)
Specific ownership taxes	2,795	3,837	1,042
Interest income	<u>500</u>	<u>876</u>	<u>376</u>
 Total Revenues	 <u>59,194</u>	 <u>60,469</u>	 <u>1,275</u>
 <b>EXPENDITURES</b>			
Treasurer's fees	838	837	1
Bond interest expense	43,200	43,200	-
Bond principal	30,000	30,000	-
Paying agent fees	<u>3,000</u>	<u>1,500</u>	<u>1,500</u>
 Total Expenditures	 <u>77,038</u>	 <u>75,537</u>	 <u>1,501</u>
 EXCESS OF REVENUES (UNDER) EXPENDITURES	 (17,844)	 (15,068)	 2,776
 <b>OTHER FINANCING SOURCES</b>			
Transfer from General Fund	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
 Total Other Financing Sources	 <u>15,000</u>	 <u>-</u>	 <u>(15,000)</u>
 NET CHANGE IN FUND BALANCE	 (2,844)	 (15,068)	 (12,224)
 FUND BALANCE - BEGINNING OF YEAR	 <u>94,662</u>	 <u>113,240</u>	 <u>18,578</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 91,818</u></u>	 <u><u>\$ 98,172</u></u>	 <u><u>\$ 6,354</u></u>