

**Highpointe Vista Metropolitan District No. 2
Larimer County, Colorado**

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023

Highpointe Vista Metropolitan District No. 2

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the financial statements of the governmental activities and each major fund of Highpointe Vista Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2023, 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, 2023, and the respective changes in financial position thereof, 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, 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 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.

Supplemental 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 supplemental 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.

Fiscal Focus Parnters, LLC

Arvada, Colorado
May 17, 2024

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION

December 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 183,827
Cash and investments - restricted	73,864
Accounts receivable	16,368
Due from county treasurer	3,266
Property taxes receivable	867,132
Capital assets, net	2,159,716
Total assets	<u>3,304,173</u>
LIABILITIES	
Accounts payable	4,039
Other accrued liabilities	11,293
Accrued interest payable	16,433
Noncurrent liabilities:	
Due within one year	105,000
Due in more than one year	5,518,514
Total liabilities	<u>5,655,279</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	867,132
Total deferred inflows of resources	<u>867,132</u>
NET POSITION	
Restricted for:	
Emergencies	18,500
Debt service	56,671
Unrestricted	(3,293,409)
Total net position	<u>\$ (3,218,238)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government				
General government	\$ 976,796	\$ 282,460	\$ -	\$ (694,336)
Interest on long-term debt and related costs	107,732	-	-	(107,732)
Total primary government	<u>\$ 1,084,528</u>	<u>\$ 282,460</u>	<u>\$ -</u>	<u>(802,068)</u>
		General Revenues:		
		Property taxes		699,083
		Specific ownership taxes		50,359
		Other		15,297
		Total general revenues		<u>764,739</u>
		Change in net position		(37,329)
		Net position - beginning		<u>(3,180,909)</u>
		Net position - ending		<u>\$ (3,218,238)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 183,827	\$ -	\$ 183,827
Cash and investments - restricted	18,500	55,364	73,864
Accounts receivable	16,368	-	16,368
Due from county treasurer	1,959	1,307	3,266
Property taxes receivable	581,747	285,385	867,132
Total assets	\$ 802,401	\$ 342,056	\$ 1,144,457
LIABILITIES			
Accounts payable	\$ 4,039	\$ -	\$ 4,039
Other accrued liabilities	11,293	-	11,293
Total liabilities	15,332	-	15,332
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	581,747	285,385	867,132
Total deferred inflows of resources	581,747	285,385	867,132
FUND BALANCES			
Restricted for:			
Emergencies	18,500	-	18,500
Debt service	-	56,671	56,671
Unassigned	186,822	-	186,822
Total fund balances	205,322	56,671	261,993
Total liabilities, deferred inflows of resources and fund balances	\$ 802,401	\$ 342,056	

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:

Capital assets, net	2,159,716
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Long-term liabilities, including bonds payable, developer advances and accrued interest, are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	(4,930,000)
Premium on bonds payable	(693,514)
Accrued interest payable - bonds	(16,433)
	(5,639,947)

Net position of governmental activities	\$ (3,218,238)
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The accompanying Notes to the Financial Statements are an integral part of these statements.

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	\$ 419,233	\$ 279,850	\$ 699,083
Specific ownership tax	30,200	20,159	50,359
Clubhouse and pool usage	128,360	-	128,360
Architectural reviews	2,000	-	2,000
Fee/assessments	152,100	-	152,100
Other	7,003	8,294	15,297
Total revenues	738,896	308,303	1,047,199
EXPENDITURES			
General government			
Administration	106,625	5,602	112,227
Landscaping	226,579	-	226,579
Clubhouse and pool	126,582	-	126,582
Repairs and maintenance	107,642	-	107,642
Villas maintenance	47,043	-	47,043
Debt Service			
Bond interest	-	201,000	201,000
Bond principal	-	95,000	95,000
Paying agent fee	-	4,000	4,000
Total expenditures	614,471	305,602	920,073
Net change in fund balances	124,425	2,701	127,126
Fund balances - beginning	80,897	53,970	134,867
Fund balances - ending	\$ 205,322	\$ 56,671	\$ 261,993

The accompanying Notes to the Financial Statements are an integral part of these statements.

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

Net change in fund balances - governmental funds	\$	127,126
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 assets over the estimated useful life of the asset.</p>		
Depreciation expense		(362,326)
<p>Long-term debt (e.g. bonds, Developer advance) provides current resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Current year bond principal payment		95,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued bond interest payable - change in liability		317
Amortization of bond premium		102,554
		102,871
Change in net position of governmental activities	\$	(37,329)

The accompanying Notes to the Financial Statements are an integral part of these statements.

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 419,233	\$ 419,233	\$ 419,233	\$ -
Specific ownership tax	26,000	26,000	30,200	4,200
Clubhouse and pool usage	123,000	127,160	128,360	1,200
Architectural reviews	2,400	2,350	2,000	(350)
Fee/assessments	150,300	149,100	152,100	3,000
Other	7,600	6,905	7,003	98
Total revenues	<u>728,533</u>	<u>730,748</u>	<u>738,896</u>	<u>8,148</u>
EXPENDITURES				
Administration	121,800	124,300	106,625	17,675
Landscaping	273,000	254,500	226,579	27,921
Clubhouse and pool	139,400	134,400	126,582	7,818
Repairs and maintenance	126,500	145,500	107,642	37,858
Villas maintenance	45,000	49,000	47,043	1,957
Total expenditures	<u>705,700</u>	<u>707,700</u>	<u>614,471</u>	<u>93,229</u>
Net change in fund balances	22,833	23,048	124,425	101,377
Fund balances - beginning	<u>80,897</u>	<u>80,897</u>	<u>80,897</u>	<u>-</u>
Fund balances - ending	<u>\$ 103,730</u>	<u>\$ 103,945</u>	<u>\$ 205,322</u>	<u>\$ 101,377</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Definition of Reporting Entity

Highpointe Vista Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 29, 2005 by order of the district court for Larimer County, Colorado, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District is governed by a seven-member Board of Directors. The District is located in the Town of Windsor, Colorado. The District was formed to provide financing, construction, operation and maintenance of various infrastructure, landscaping and recreational amenities for a Planned Unit Development referred to as Highpointe Estates (the “Development”).

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

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

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

Note 2 – Summary of Significant Accounting Policies

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and 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 taxes and charges for services.

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

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

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 source of revenue susceptible to accrual are property taxes, specific ownership taxes and charges for services. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is 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 reported in another fund.

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

Budgetary Information

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 appropriation is at the total fund expenditures and

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

other financing uses level and lapses at year end. The District's Board of Directors can modify the budget 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 in the General Fund for the year ended December 31, 2023.

Pooled Cash and Investments

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.

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 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 inflows 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 consist of various infrastructure and recreational amenities, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Infrastructure	20 - 25 years
Landscaping	10 - 20 years
Pool, Clubhouse, Other	10 - 20 years

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 that will be dedicated to other governmental entities are not depreciated.

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.

Amortization

Original issue premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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:

Non-spendable 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 is legally or contractually required to be maintained intact.

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. 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 above criteria.

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

Note 3 – Cash and Investments

Cash and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 183,827
Cash and investments-Restricted	73,864
Total cash and investments	<u>\$ 257,691</u>

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Cash and investments as of December 31, 2023 consist of the following:

Deposits with financial institutions	\$	202,327
Investments		55,364
Total cash and investments	\$	<u>257,691</u>

Deposits with Financial Institutions

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

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

At December 31, 2023, the District's cash deposits had a bank balance of \$203,828 and a carrying balance of \$202,327.

Investments

The District has not adopted a formal investment policy; however the District follows state statute 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

Highpointe Vista Metropolitan District No. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2023, 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	\$ 55,364
Total investments		<u>\$ 55,364</u>

Colotrust

The District invested in the Colorado Local Government Liquid Asset Trust (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 offers shares in three portfolios: Colotrust Prime, Colotrust Plus, and Colotrust Edge.

Colotrust Prime and Colotrust Plus operate similarly to a money market fund and each share is equal in value to \$1.00. 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. Both portfolios are rated AAAM by Standard and Poor's.

Colotrust Edge, 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. Colotrust Edge is rated AA Af/S1 by Fitch Ratings.

A designated custodial bank serves as custodian for the Trust's investment 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 records its investments at fair value and the District records its investment in Colotrust at net asset value as determined by fair value.

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District invested in the Colotrust Plus portfolio during 2023.

Note 4 – Capital assets

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Additions	Deletions	Balance at December 31, 2023
Capital assets, being depreciated:				
Infrastructure	\$ 2,818,637	\$ -	\$ -	\$ 2,818,637
Amenities				
Landscaping	2,278,582	-	-	2,278,582
Pool, clubhouse, other	2,812,490	-	-	2,812,490
Total capital assets being depreciated	<u>7,909,709</u>	<u>-</u>	<u>-</u>	<u>7,909,709</u>
Less accumulated depreciation for:				
Infrastructure	1,550,040	113,452	-	1,663,492
Amenities				
Landscaping	1,654,992	115,169	-	1,770,161
Pool, clubhouse, other	2,182,635	133,705	-	2,316,340
Total accumulated depreciation	<u>5,387,667</u>	<u>362,326</u>	<u>-</u>	<u>5,749,993</u>
Governmental activities capital asset, net	<u>\$ 2,522,042</u>	<u>\$ (362,326)</u>	<u>\$ -</u>	<u>\$ 2,159,716</u>

Depreciation expense was charged to the general government function.

Note 5 – Long-Term Obligations

Changes in long-term debt for the year ended December 31, 2023 are summarized as follows:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
General Obligation Limited Tax					
Bonds - Series 2021	\$ 5,025,000	\$ -	\$ 95,000	\$ 4,930,000	\$ 105,000
Bond Premium, Series 2021	796,068	-	102,554	693,514	-
Total	<u>\$ 5,821,068</u>	<u>\$ -</u>	<u>\$ 197,554</u>	<u>\$ 5,623,514</u>	<u>\$ 105,000</u>

Highpointe Vista Metropolitan District No. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

General Obligation Limited Tax Bonds Series 2021

Bond Details

In October, 2021, the District issued Limited Tax General Obligation Refunding Bonds, Series 2021 (the Bonds) with a par value of \$5,235,000. The Bonds were issued for the purposes of refinancing the Limited General Obligation Refunding Bonds, Series 2016A and Series 2016B, and for the payment of the related issuance cost of the Bonds.

The Bonds bear interest at 4%, payable semi-annually on June 1 and December 1, beginning on December 1, 2021. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The Bonds mature on December 1, 2046. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such interest shall compound semi-annually on each interest payment date, at the rate then borne by the Bond. The District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

Optional Redemption

The Bonds maturing on and after December 1, 2032 are subject to redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000 beginning on December 1, 2031, and on any date thereafter, upon payment of par, accrued interest with no redemption premium.

Mandatory Sinking Fund Redemption

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

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

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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

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

Security

The Bonds are secured and payable from moneys derived by the District from the following sources, net of any costs of collection: i) the Required Mill Levy; ii) the portion of Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and iii) any other legally available moneys which the District determines, in its absolute discretion to transfer to the Trustee for application as pledged revenue.

Concurrently, with the issuance of the Bonds, a Municipal Bond Insurance Policy was issued guaranteeing the scheduled payment of the principal and interest on the Bonds.

Required Mill Levy

Pursuant to the Bond Indenture, the District has covenanted to impose a Required Mill Levy in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Bond Fund), and replenishing the Reserve Fund to the Reserve Requirement or repaying the Bond Insurer for draws on the Reserve Policy, as applicable but not in excess of 22.5 mills. In the event that the method of calculating assessed valuation is changed after 2005, the maximum mill levy of 22.5 mills will be increased or decreased to reflect such changes.

Covenants and Agreements

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

Highpointe Vista Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

The District's long-term obligations will mature as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$ 105,000	\$ 197,200	\$ 302,200
2025	110,000	193,000	303,000
2026	120,000	188,600	308,600
2027	125,000	183,800	308,800
2028	140,000	178,800	318,800
2029-2033	815,000	804,400	1,619,400
2034-2038	1,090,000	620,600	1,710,600
2039-2043	1,410,000	378,200	1,788,200
2044-2046	1,015,000	82,200	1,097,200
	<u>\$ 4,930,000</u>	<u>\$ 2,826,800</u>	<u>\$ 7,756,800</u>

Debt Authorization

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

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

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

The Service Plan, as amended, provides that the maximum debt limit for the issuance of bonds is \$6,000,000 exclusive of the costs of issuance, organizational costs, inflation, refundings and other similar costs. Obligations of the District which have been paid or refunded do not count against the debt limit. Prior to the issuance of the

Highpointe Vista Metropolitan District No. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Bonds, the District had used all such Service Plan authorization. The Bonds constitute a refunding and therefore do not count against the Service Plan debt limit.

Note 6 – Net Position

The District’s net position consists of two components – restricted and unrestricted.

Restricted assets include net position that is 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, 2023:

	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve	\$ 18,500
Debt service	56,671
Total restricted net position	<u>\$ 75,171</u>

As of December 31, 2023, the District has unrestricted net position (deficit) of \$(3,293,409). The deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements that have been conveyed to other governmental entities.

Note 7 – Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (“Pool”). The Pool is an organization created by an 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, public officials’ liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Highpointe Vista Metropolitan District No. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Note 8 - Tax, Spending and Debt Limitation

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

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

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

A majority of the District's electors has authorized the District to collect revenues without regard to the TABOR limits.

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.

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SUPPLEMENTAL INFORMATION

HIGHPOINTE VISTA METROPOLITAN DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the Year Ended December 31, 2023

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Property taxes	\$ 279,850	\$ 279,850	\$ -
Specific ownership tax	19,200	20,159	959
Other	600	8,294	7,694
Total revenues	<u>299,650</u>	<u>308,303</u>	<u>8,653</u>
EXPENDITURES			
General government			
County treasurer's fees	8,000	5,602	2,398
Debt Service			
Bond interest	201,000	201,000	-
Bond principal	95,000	95,000	-
Paying agent fees	4,000	4,000	-
Total expenditures	<u>308,000</u>	<u>305,602</u>	<u>2,398</u>
Net change in fund balances	(8,350)	2,701	11,051
Fund balances - beginning	<u>21,176</u>	<u>53,970</u>	<u>32,794</u>
Fund balances - ending	<u>\$ 12,826</u>	<u>\$ 56,671</u>	<u>\$ 43,845</u>