

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

FINANCIAL STATEMENTS

With Independent Auditor's Report

December 31, 2023

HOMESTEAD HILLS METROPOLITAN DISTRICT

TABLE OF CONTENTS

December 31, 2023

Independent Auditor’s Report 1

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 1
Statement of Activities 2

Fund Financial Statements:

Balance Sheet – Governmental Funds 3
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds 4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities 5
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – General Fund 6
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Special Revenue Fund 7
Notes to Financial Statements 8

Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Debt Service Fund 27
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual – Capital Projects Fund 28
Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected 29
Schedule of Debt Service Requirements to Maturity 30

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying 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, 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 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.

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 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 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 supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Parnters, LLC

Arvada, Colorado
September 18, 2024

HOMESTEAD HILLS METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 20,781
Cash and Investments - Restricted	330,551
Accounts Receivable	9,964
Due From County Treasurer	1,743
Prepaid Expense	1,941
Property Taxes Receivable	388,732
Capital Assets, Not Being Depreciated	1,010,547
Capital Assets, Net	1,955,922
Total Assets	<u>3,720,181</u>
LIABILITIES	
Accounts Payable	10,564
Unearned Maintenance Fees	485
Accrued Interest Payable	9,463
Noncurrent Liabilities:	
Due Within One Year	24,943
Due in More Than One Year	4,434,075
Total Liabilities	<u>4,479,530</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	388,732
Total Deferred Inflows of Resources	<u>388,732</u>
NET POSITION	
Restricted for:	
Emergencies	5,400
Debt Service	326,004
Capital Outlay	45
Unrestricted	(1,479,530)
Total Net Position	<u>\$ (1,148,081)</u>

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Functions/Programs:				Governmental Activities	
Primary Government					
General Government	\$ 297,073	\$ 27,876	\$ -	\$ 44,627	\$ (224,570)
Interest on Long-Term Debt and Related Costs	254,498	-	-	-	(254,498)
Total Primary Government	<u>\$ 551,571</u>	<u>\$ 27,876</u>	<u>\$ -</u>	<u>\$ 44,627</u>	<u>(479,068)</u>
		General Revenues:			
		Property Taxes			312,669
		Specific Ownership Taxes			21,318
		Interest Income			17,254
		Miscellaneous Income			7,429
		Total General Revenues			<u>358,670</u>
		Change in Net Position			(120,398)
		Net Position - Beginning of Year			<u>(1,027,683)</u>
		Net Position - End of Year			<u>\$ (1,148,081)</u>

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Investments	\$ 17,620	\$ 3,116	\$ -	\$ 45	\$ 20,781
Cash and Investments - Restricted	5,400	-	325,151	-	330,551
Accounts Receivable	5,053	4,911	-	-	9,964
Due From County Treasurer	890	-	853	-	1,743
Prepaid Expense	1,941	-	-	-	1,941
Due From Other Funds	41,230	-	-	-	41,230
Property Taxes Receivable	181,321	-	207,411	-	388,732
Total Assets	<u>\$ 253,455</u>	<u>\$ 8,027</u>	<u>\$ 533,415</u>	<u>\$ 45</u>	<u>\$ 794,942</u>
LIABILITIES					
Accounts Payable	\$ 224	\$ 10,340	\$ -	\$ -	\$ 10,564
Unearned Maintenance Fees	233	252	-	-	485
Due To Other Funds	-	41,230	-	-	41,230
Total Liabilities	<u>457</u>	<u>51,822</u>	<u>-</u>	<u>-</u>	<u>52,279</u>
DEFERRED INFLOWS OF RESOURCES					
Property Tax Revenue	181,321	-	207,411	-	388,732
Total Deferred Inflows of Resources	<u>181,321</u>	<u>-</u>	<u>207,411</u>	<u>-</u>	<u>388,732</u>
FUND BALANCES					
Nonspendable					
Prepaid Expenses	1,941	-	-	-	1,941
Restricted for:					
Emergencies	5,400	-	-	-	5,400
Debt Service	-	-	326,004	-	326,004
Capital Projects	-	-	-	45	45
Unassigned	64,336	(43,795)	-	-	20,541
Total Fund Balances	<u>71,677</u>	<u>(43,795)</u>	<u>326,004</u>	<u>45</u>	<u>353,931</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 253,455</u>	<u>\$ 8,027</u>	<u>\$ 533,415</u>	<u>\$ 45</u>	

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 2,966,469

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, Net of Premium (3,014,988)
Developer Advances (1,023,225)
Accrued Interest Payable - Bonds (255,785)
Accrued Interest Payable - Developer Advances (174,483)

Net Position of Governmental Activities \$ (1,148,081)

HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	\$ 159,635	\$ -	\$ 153,034	\$ -	\$ 312,669
Specific Ownership Taxes	10,884	-	10,434	-	21,318
Maintenance Fees	-	27,876	-	-	27,876
Miscellaneous Income	6,629	800	-	-	7,429
Investment Income	902	-	16,349	3	17,254
Total Revenues	<u>178,050</u>	<u>28,676</u>	<u>179,817</u>	<u>3</u>	<u>386,546</u>
EXPENDITURES					
General Government					
Management and Accounting	27,384	-	-	-	27,384
Auditing	5,450	-	-	-	5,450
County Treasurer's Fees	2,388	-	2,221	-	4,609
Dues and Licenses	489	-	-	-	489
Election Expense	225	-	-	-	225
Electricity	-	1,836	-	-	1,836
Fertilization/Weed/Insect	-	5,320	-	-	5,320
Insurance and Bonds	3,031	-	-	-	3,031
Landscaping	-	48,180	-	-	48,180
Legal	13,216	-	-	-	13,216
Miscellaneous	937	636	814	-	2,387
Office Expense	1,241	-	-	-	1,241
Repairs and Maintenance	-	13,158	-	-	13,158
Snow Removal	-	17,097	-	-	17,097
Water	-	37,465	-	-	37,465
Website	1,320	-	-	-	1,320
Debt Service					
Bond Principal	-	-	20,000	-	20,000
Bond Interest	-	-	111,000	-	111,000
Paying Agent Fee	-	-	7,000	-	7,000
Capital					
Landscape Repairs	-	-	-	44,627	44,627
Total Expenditures	<u>55,681</u>	<u>123,692</u>	<u>141,035</u>	<u>44,627</u>	<u>365,035</u>
Excess of Revenues Over (Under) Expenditures	122,369	(95,016)	38,782	(44,624)	21,511
OTHER FINANCING SOURCES (USES)					
Developer Contribution	-	-	-	44,627	44,627
Transfers In/(Out)	(54,208)	54,208	-	-	-
Total Other Financing Sources (Uses)	<u>(54,208)</u>	<u>54,208</u>	<u>-</u>	<u>44,627</u>	<u>44,627</u>
Net Change in Fund Balances	68,161	(40,808)	38,782	3	66,138
Fund Balances (Deficit) - Beginning of Year	<u>3,516</u>	<u>(2,987)</u>	<u>287,222</u>	<u>42</u>	<u>287,793</u>
Fund Balances (Deficit) - End of Year	<u>\$ 71,677</u>	<u>\$ (43,795)</u>	<u>\$ 326,004</u>	<u>\$ 45</u>	<u>\$ 353,931</u>

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**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	\$	66,138
<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		(73,074)
<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>		
Bond Principal		20,000
<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		(71,940)
Accrued Interest Payable on Developer Advances - Change in Liability		(66,510)
Amortization of Bond Premium		4,988
		4,988
Change in Net Position of Governmental Activities	\$	(120,398)

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

HOMESTEAD HILLS METROPOLITAN DISTRICT
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	\$ 159,111	\$ 159,635	\$ 159,635	\$ -
Specific Ownership Tax	11,138	10,688	10,884	196
Miscellaneous Income	-	4,000	6,629	2,629
Investment Income	150	901	902	1
Total Revenues	<u>170,399</u>	<u>175,224</u>	<u>178,050</u>	<u>2,826</u>
EXPENDITURES				
Management and Accounting	23,000	27,000	27,384	(384)
Auditing	5,450	6,000	5,450	550
County Treasurer's Fees	2,387	2,388	2,388	-
Dues and Licenses	1,000	489	489	-
Election Expense	3,000	225	225	-
Insurance and Bonds	3,000	2,436	3,031	(595)
Legal	11,000	19,492	13,216	6,276
Miscellaneous	973	2,190	937	1,253
Office Expense	-	1,500	1,241	259
Website	-	-	1,320	(1,320)
Contingency	-	973	-	973
Total Expenditures	<u>49,810</u>	<u>62,693</u>	<u>55,681</u>	<u>7,012</u>
Excess of Revenue Over (Under)				
Expenditures	120,589	112,531	122,369	9,838
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	<u>(113,260)</u>	<u>(54,208)</u>	<u>(54,208)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(113,260)</u>	<u>(54,208)</u>	<u>(54,208)</u>	<u>-</u>
Net Change in Fund Balances	7,329	58,323	68,161	9,838
Fund Balances - Beginning of Year	<u>4,600</u>	<u>3,516</u>	<u>3,516</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 11,929</u>	<u>\$ 61,839</u>	<u>\$ 71,677</u>	<u>\$ 9,838</u>

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE 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			
Maintenance Fees	\$ 28,000	\$ 27,876	\$ (124)
Miscellaneous Income	-	800	800
Total Revenues	<u>28,000</u>	<u>28,676</u>	<u>676</u>
EXPENDITURES			
Billing	9,000	-	9,000
District Management	10,000	-	10,000
Electricity	1,000	1,836	(836)
Fertilization/Weed/Insect	5,500	5,320	180
Landscaping	35,000	48,180	(13,180)
Miscellaneous	2,500	636	1,864
Repairs and Maintenance	10,000	13,158	(3,158)
Snow Removal	42,000	17,097	24,903
Water	30,000	37,465	(7,465)
Total Expenditures	<u>145,000</u>	<u>123,692</u>	<u>21,308</u>
Excess of Revenue Over (Under) Expenditures	(117,000)	(95,016)	21,984
OTHER FINANCING SOURCES (USES)			
Transfers In/(Out)	<u>113,260</u>	<u>54,208</u>	<u>(59,052)</u>
Total Other Financing Sources (Uses)	<u>113,260</u>	<u>54,208</u>	<u>(59,052)</u>
Net Change in Fund Balances	(3,740)	(40,808)	(37,068)
Fund Balances (Deficit) - Beginning of Year	<u>10,400</u>	<u>(2,987)</u>	<u>(13,387)</u>
Fund Balances (Deficit) - End of Year	<u>\$ 6,660</u>	<u>\$ (43,795)</u>	<u>\$ (50,455)</u>

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

Note 1 – Definition of Reporting Entity

Homestead Hills Metropolitan District (District), a quasi-municipal corporation and 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 has no employees and all operations and administrative functions are contracted.

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

Note 2 – Summary of Significant Accounting Policies

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and 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. Governmental activities are normally supported by property taxes and intergovernmental revenues.

HOMESTEAD HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

The statement of net position reports all financial and capital 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 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 and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation 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.

HOMESTEAD HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 general obligation debt of the governmental funds.

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

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

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 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 for the General Fund, Debt Service Fund and Capital Projects Fund for the year ended December 31, 2023; however, actual expenditures exceeded budgeted expenditures in the Debt Service Fund which may be a violation of Colorado Local Government budget law.

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 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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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 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 include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks, and similar items), 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.

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

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

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.

HOMESTEAD HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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.

The District has a deficit in fund balance for the Special Revenue Fund. This deficit will be eliminated with an interfund transfer in 2024.

State Audit Law

Colorado Revised Statutes require that local governments submit audited financial statements for the calendar year end by July 31 or September 30, if granted an extension, of the following year. The District was not in compliance with this statutory requirement.

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	\$ 20,781
Cash and investments-Restricted	330,551
Total cash and investments	<u>\$ 351,332</u>

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

Deposits with financial institutions	\$ 19,967
Investments	331,365
Total cash and investments	<u>\$ 351,332</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

HOMESTEAD HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 \$21,684 and a carrying balance of \$19,967.

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
- 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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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	\$ 331,365

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 offers shares in 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 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 PRIME AND COLOTRUST PLUS+ are 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 either the COLOTRUST PRIME or the COLOTRUST PLUS+ portfolio.

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 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
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Water and Sanitation	\$ 1,010,547	\$ -	\$ -	\$ 1,010,547
Total Capital Assets, Not Being Depreciated	<u>1,010,547</u>	<u>-</u>	<u>-</u>	<u>1,010,547</u>
Capital Assets, Being Depreciated:				
Infrastructure	1,509,140	-	-	1,509,140
Parks and Recreation	683,080	-	-	683,080
Total Capital Assets, Being Depreciated	<u>2,192,220</u>	<u>-</u>	<u>-</u>	<u>2,192,220</u>
Less Accumulated Depreciation For:				
Infrastructure	100,610	50,305	-	150,915
Parks and Recreation	62,614	22,769	-	85,383
Total Accumulated Depreciation	<u>163,224</u>	<u>73,074</u>	<u>-</u>	<u>236,298</u>
Total Capital Assets Being Depreciated, Net	<u>2,028,996</u>	<u>(73,074)</u>	<u>-</u>	<u>1,955,922</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,039,543</u>	<u>\$ (73,074)</u>	<u>\$ -</u>	<u>\$ 2,966,469</u>

Depreciation expense was charged to the general government function.

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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:					
Series 2020A General Obligation	\$ 2,220,000	\$ -	\$ 20,000	\$ 2,200,000	\$ 20,000
Series 2020B General Obligation	722,000	-	-	722,000	-
Accrued Interest Series 2020B	174,594	71,728	-	246,322	-
Other:					
Developer Advance - Operating	141,123	-	-	141,123	-
Developer Advance - Capital	882,102	-	-	882,102	-
Accrued Interest - Developer Advance - Operating	26,288	9,173	-	35,461	-
Accrued Interest - Developer Advance - Capital	81,685	57,337	-	139,022	-
Total Bonds/Loans Payable	4,247,792	138,238	20,000	4,366,030	20,000
Series 2020A Bond Premium	97,976	-	4,988	92,988	4,943
Total Long-Term Obligations	<u>\$ 4,345,768</u>	<u>\$ 138,238</u>	<u>\$ 24,988</u>	<u>\$ 4,459,018</u>	<u>\$ 24,943</u>

The details of the District's general obligation bonds outstanding during 2023 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% per annum and are payable semi-annually 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.

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Bonds is not paid when due, such interest shall compound semi-annually 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 28, 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; 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 FINANCIAL STATEMENTS (continued)

December 31, 2023

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% 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 FINANCIAL STATEMENTS (continued)

December 31, 2023

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, 2023 is \$145,952.

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 8% 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 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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

(e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

“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 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 Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2029-2033	210,000	497,000	707,000
2034-2038	315,000	434,750	749,750
2039-2043	445,000	343,500	788,500
2044-2048	620,000	215,500	835,500
2049-2050	475,000	40,250	515,250
Total	<u>\$2,200,000</u>	<u>\$ 2,069,250</u>	<u>\$ 4,269,250</u>

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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

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% per annum. At December 31, 2023, 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	\$ 1,386,268	\$ 7,363,732
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	347,840	8,402,160
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 6.5% per annum. Developers obligation to advance funds to the District terminated on December 31, 2020. As of December 31, 2023 outstanding advances under this agreement totaled \$141,123 and accrued interest totaled \$35,461.

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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 6.5% per annum. This agreement was terminated on March 10, 2020. As of December 31, 2023, outstanding capital advances under the agreement totaled \$882,102 and accrued interest totaled \$139,022.

Note 7 – Operation (Maintenance) Fee

Effective March 5, 2019, the District passed a resolution related to the imposition of an Operating (Maintenance) Fee to be used solely for the purpose of paying operation costs. The Operation (Maintenance) 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 2023, the District recognized \$27,876 in Maintenance Fees.

Note 8 – 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	\$ 5,400
Debt service	326,004
Capital projects	45
Total restricted net position	<u>\$ 331,449</u>

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.

HOMESTEAD HILLS METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Note 9 – Related Parties

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 – Interfund and Operating Transfers

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

Note 11 – 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.

Note 12 - 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.

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

HOMESTEAD HILLS METROPOLITAN DISTRICT

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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 and 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.

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SUPPLEMENTARY INFORMATION

HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended December 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 152,531	\$ 153,034	\$ 153,034	\$ -
Specific Ownership Tax	10,677	10,245	10,434	189
Investment Income	3,000	13,542	16,349	2,807
Total Revenues	<u>166,208</u>	<u>176,821</u>	<u>179,817</u>	<u>2,996</u>
EXPENDITURES				
General Government				
County Treasurer's Fees	2,288	2,228	2,221	7
Miscellaneous	-	728	814	(86)
Debt Service				
Bond Principal	20,000	20,000	20,000	-
Bond Interest	111,000	111,000	111,000	-
Paying Agent Fee	7,000	7,000	7,000	-
Total Expenditures	<u>140,288</u>	<u>140,956</u>	<u>141,035</u>	<u>(79)</u>
Net Change in Fund Balances	25,920	35,865	38,782	2,917
Fund Balances - Beginning of Year	<u>277,377</u>	<u>287,222</u>	<u>287,222</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 303,297</u>	<u>\$ 323,087</u>	<u>\$ 326,004</u>	<u>\$ 2,917</u>

HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND

For the Year Ended December 31, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Investment Income	\$ -	\$ 3	\$ 3	\$ -
Total Revenues	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
EXPENDITURES				
Landscape Repairs	-	44,627	44,627	-
Total Expenditures	<u>-</u>	<u>44,627</u>	<u>44,627</u>	<u>-</u>
Excess of Revenue Over (Under)				
Expenditures	-	(44,624)	(44,624)	-
OTHER FINANCING SOURCES (USES)				
Developer Contribution	-	44,627	44,627	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>44,627</u>	<u>44,627</u>	<u>-</u>
Net Change in Fund Balances	-	3	3	-
Fund Balances - Beginning of Year	<u>-</u>	<u>42</u>	<u>42</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ -</u>

HOMESTEAD HILLS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED

December 31, 2023

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	
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%
2022	\$ 2,927,070	50.097	55.664	\$ 309,569	\$ 310,596	100.33%
2023	\$ 2,946,670	53.997	51.764	\$ 311,642	\$ 312,669	100.33%
Estimated for Year Ending December 31, 2024	\$ 3,486,950	52.000	59.482	\$ 388,732		

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied and /or abatements from valuations in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

HOMESTEAD HILLS METROPOLITAN DISTRICT

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2023

\$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%

Year Ending December 31,	Principal	Interest	Total
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>\$ 2,200,000</u>	<u>\$ 2,069,250</u>	<u>\$ 4,269,250</u>