

HOGBACK METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

December 31, 2021

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Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hogback Metropolitan District

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Hogback Metropolitan District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Hogback Metropolitan District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Hogback Metropolitan District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hogback Metropolitan District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of 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 Hogback Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hogback Metropolitan District's ability to continue as a going concern for a reasonable period of time.

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

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hogback Metropolitan District's financial statements as a whole. The other supplemental information which includes the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Projects Fund, and the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Debt Service Fund, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Longmont, Colorado
September 12, 2022

Basic Financial Statements

**Hogback Metropolitan District
Statement of Net Position
December 31, 2021**

Assets

Current Assets

Cash and cash equivalents - restricted	\$ 23,455,361
Total Current Assets	23,455,361

Liabilities

Current Liabilities

Accounts payable	8,180
Accrued interest	35,284
Total Current Liabilities	43,464

Bonds payable	24,153,927
Total Long-Term Liabilities	24,153,927
Total Liabilities	24,197,391

Net Position

Restricted for debt service	23,455,361
Unrestricted	(24,197,391)
Total Net Position	\$ (742,030)

The accompanying notes are an integral part of these financial statements

**Hogback Metropolitan District
Statement of Activities
For the Year Ended December 31, 2021**

Governmental Activities	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Governmental Activities
General government	\$ 2,680	\$ -	\$ -	\$ (2,680)
Interest and related costs on long-term debt	739,708	-	-	(739,708)
Total Governmental Activities	\$ 742,388	\$ -	\$ -	(742,388)
General Revenues				
Interest income				358
Total Revenues				358
Change in Net Position				(742,030)
Net Position - Beginning of Year				-
Net Position - End of Year				\$ (742,030)

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**Hogback Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2021**

	General	Capital Projects	Debt Service	Total Governmental Funds
Assets				
Current Assets				
Cash and cash equivalents - restricted	\$ -	\$ 18,500,282	\$ 4,955,079	\$ 23,455,361
Total Assets	-	18,500,282	4,955,079	23,455,361
Liabilities				
Current Liabilities				
Accounts payable	2,680	-	5,500	8,180
Total Liabilities	2,680	-	5,500	8,180
Equity				
Fund Balance				
Restricted	-	18,500,282	4,949,579	23,449,861
Unassigned	(2,680)	-	-	(2,680)
Total Fund Balance	(2,680)	18,500,282	4,949,579	23,447,181
Total Liabilities, Equity and Deferred Inflows of Resources	\$ -	\$ 18,500,282	\$ 4,955,079	\$ 23,455,361
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position				
Total Fund Balance				\$ 23,447,181
Amounts reported for governmental funds in the Statement of Net Position are different because:				
Accrued interest on long-term debt does not require current financial resources therefore is not reported in the fund statements.				(35,284)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statements.				(24,153,927)
Total Net Position				\$ (742,030)

The accompanying notes are an integral part of these financial statements

Hogback Metropolitan District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General	Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Interest income	\$ -	\$ 282	\$ 76	\$ 358
Total Revenue	-	282	76	358
Expenditures				
Administrative	2,680	-	-	2,680
Debt Service:				
Bond Issuance Costs	-	-	704,424	704,424
Total Expenditures	2,680	-	704,424	707,104
Revenue Over (Under) Expenditures	(2,680)	282	(704,348)	(706,746)
Other Financing Sources and (Uses)				
General obligation bonds issued	-	-	23,095,000	23,095,000
Premium on General Obligation Bonds Issued	-	-	1,058,927	1,058,927
Transfers	-	18,500,000	(18,500,000)	-
Total Other Financing Sources and (Uses)	-	18,500,000	5,653,927	24,153,927
Net Change in Fund Balance	(2,680)	18,500,282	4,949,579	23,447,181
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ (2,680)	\$ 18,500,282	\$ 4,949,579	\$ 23,447,181
 Total Change in Fund Balance Governmental Fund				\$ 23,447,181
 Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.				(24,153,927)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported in the fund statements.				
Accrued interest				(35,284)
 Change in Net Position of Governmental Activities				\$ (742,030)

The accompanying notes are an integral part of these financial statements

Hogback Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Accounting	\$ 10,000	\$ 2,680	\$ 7,320
Legal	10,000	-	10,000
Contingency	30,000	-	30,000
Total Expenditures and Transfers	<u>50,000</u>	<u>2,680</u>	<u>47,320</u>
Revenue Over (Under) Expenditures	(50,000)	(2,680)	47,320
Beginning Fund Balance	-	-	-
Ending Fund Balance	<u>\$ (50,000)</u>	<u>\$ (2,680)</u>	<u>\$ 47,320</u>

The accompanying notes are an integral part of these financial statements

**Hogback Metropolitan District
Notes to Financial Statements
December 31, 2021**

Note 1 Summary of Significant Accounting Policies

Hogback Metropolitan District (the District), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County. The District was established primarily to construct, own, and operate certain public improvements, and provide certain services for the residential development to be known as North Plains. The District anticipates that all, or some, of the improvements may be dedicated to the County, or other service provider.

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

Financial Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is not financially accountable for any other entity, nor is the District a component unit of any other governmental entity; therefore, no other entities are included in the District's financial statements.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial position of the governmental activities at the end of the year. The statement of activities presents a comparison between program expenses and the program revenue for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program or department; and therefore, clearly identifiable to a particular function. Program revenue includes charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenue are presented as general revenue of the District. The comparison of program expenses with program revenue identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

During the year the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. The major fund types used by the District are described below.

Governmental Fund Type

General Fund –is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund- accounts for the revenues received related to the construction and acquisition of capital projects.

Debt Service Fund- accounts for the repayment of long-term debt incurred by the district.

Measurement Focus

Government-wide Financial Statement

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet and only revenues that are available within 60 days are recorded in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenue and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting (continued)

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, which is typically within sixty days of realization.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. Revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Property Taxes

The County Treasurer collects and remits property taxes to the District monthly. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied for the current year prior to December 31 and are payable in full on April 30 of the subsequent year, or in two installments on February 28 and June 15. Property taxes are recorded as receivables and deferred revenue when levied. As taxes are collected, the receivable and deferral are reduced and income is recognized. Property taxes are anticipated to begin being assessed for property tax year 2022, to be collected in fiscal year 2023.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Accounting (continued)

Assets and Liabilities

Cash and cash equivalents - the District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with maturities of 90 days or less at the date of their acquisition.

Investments – investments are recorded at fair value, which approximates cost.

Receivables – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital assets – all capital assets are stated at cost or estimated cost. The capitalization threshold for fixed assets is \$5,000. Depreciation of the estimated useful lives of the assets is computed using the straight-line method. Estimated useful lives range from 5-40 years for capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Accrued Liabilities and long-Term Obligation

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Inflows of Resources and Deferred Outflows of Resources

The District implemented the provisions of GASB No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). As a result in addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

Net Position

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.

Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021

Note 1 Summary of Significant Accounting Policies (Continued)
Basis of Accounting (continued)

c. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.” The net position is available for future operations or distributions.

Fund Balance

Nonspendable - consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance was \$0 as of December 31, 2021.

Restricted - General Fund - Article X, Section 20 of the Constitution of the State of Colorado (TABOR) requires the District to establish Emergency reserves (see Note 4). A reservation of \$0 of the General Fund balance has been made in compliance with this requirement. The District had \$23,449,861 restricted for the use of acquisition and construction of public improvements.

Committed - General Fund - Committed fund balance includes those items which can be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors formally removes or changes the specified uses. The District had a committed fund balance of \$0 as of December 31, 2021.

Assigned – Includes all amounts that are constrained by the District’s intent to be used for a specific purpose but are neither committed nor restricted. The assignment of these balances must occur through a formal action of the Board of Directors. As of December 31, 2021, the assigned fund balance was \$0.

Unassigned - consists of the residual classification for each fund. This represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned for specific purposes.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis except for accrual of current vendor invoices. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to December 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The District Board must approve revisions that alter the total expenditures of any fund.

**Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021**

Note 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the District Board or amended by the District Board.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Transfers

For the year ended December 31, 2021 the Debt Service fund permanently transferred \$18,500,000 to the Capital Projects fund. This was a one-time transfer in order to finance the construction and acquisition of public improvements.

Note 2 Cash and Investments

Cash Deposits

As of December 31, 2021, the District's cash deposits had a carrying balance of \$11,763 with a corresponding bank balance of \$11,763, all of which is federally insured.

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under 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 uninsured deposits. The District had \$0 collateralized under PDPA.

The Colorado Divisions of Banking 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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2021, none of the District's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers' acceptances of certain banks.
- Commercial paper.

Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021

Note 2 Cash and Investments (Continued)

- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

At December 31, 2021, the District had \$23,443,598 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST EDGE, and COLOTRUST PLUS+. All 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 section 24-75-601, C.R.S., as amended. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

COLOTRUST measures its investments at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore a Participant's investment in COLOTRUST is not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72. COLOTRUST PLUS+ and COLOTRUST PRIME are rated by S&P Global Ratings. The current rating is 'AAAm.' COLOTRUST EDGE is rated by Fitch Ratings. The current rating is 'AAAf/S1.

COLOTRUST PLUS+ and PRIME

The dollar weighted average days to maturity (WAM) of COLOTRUST PLUS+ is 47 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PLUS+ is 87 days. The dollar weighted average days to maturity (WAM) of COLOTRUST PRIME is 32 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of COLOTRUST PRIME is 68 days. COLOTRUST is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

COLOTRUST EDGE

COLOTRUST EDGE is a variable net asset value (NAV) local government investment pool that offers weekly liquidity to participants. EDGE is suitable for a local government's strategic reserves / non-operating funds and has a NAV that is managed to approximate a \$10.00 transactional share price.

As of December 31, 2021, the Board had not adopted a formal investment policy.

**Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021**

Note 3 Long-term Debt

The District's long-term debt is as follows:

Series 2021A Limited Tax General Obligation Bonds (the Bonds) totaling \$23,095,000 dated December 20, 2021, with interest rates of 5%. The Maximum Mill Levy for the Bonds is capped at 50 mills subject to adjustments for changes in the ratio of actual value to assessed value of the property within the District. Maximum Mill Levy means the maximum mill levy the District is permitted to impose for payment of Debt as set forth in the District's Service Plan.

The Bonds are secured by and payable from the Pledged Revenue, meaning monies derived by the District from the following sources, net of any collection costs: 1) the Required Mill Levy, net of County Treasurer fees, 2) all development fees, 3) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and 4) any other legally available monies which the District determines to be treated as Pledged Revenue. The bonds are also secured by amounts on deposit in the Reserve Fund which is required to be funded in an amount up to \$2,117,311 and by amounts in the Surplus Fund which is required under the Indenture to be funded with excess Pledged Revenue up to \$2,309,500.

The bonds are subject to repayment due semi-annually on June 1 and December 1, and principal payments due on December 1 of each year. Interest payments are due beginning on June 1, 2022 and principal payments are due beginning December 1, 2028, but only to the extent of Pledged Revenue available for such purpose. The bonds are subject to optional redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000 prior to their maturity beginning December 1, 2026. Any amounts remaining outstanding after December 2, 2062 will be discharged.

The Changes in Long-term Debt during 2021 were as follows:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Amounts Due Within One Year
Series 2021A Bonds	\$ -	\$ 23,095,000	\$ -	\$ 23,095,000	\$ -
Premium on bonds	-	1,058,927	-	1,058,927	-
Total Long-term Debt	<u>\$ -</u>	<u>\$ 24,153,927</u>	<u>\$ -</u>	<u>\$ 24,153,927</u>	<u>\$ -</u>

Future debt service requirements for the Series 2021A Bonds are as follows:

**Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021**

Note 3 Long-term Debt (Continued)

Year	Principal	Interest	Total
2022	\$ -	\$ 1,093,805	\$ 1,093,805
2023	-	1,154,750	1,154,750
2024	-	1,154,750	1,154,750
2025	-	1,154,750	1,154,750
2026	-	1,154,750	1,154,750
2027-2031	500,000	5,745,000	6,245,000
2032-2036	1,790,000	5,499,000	7,289,000
2037-2041	3,485,000	4,893,500	8,378,500
2042-2046	5,970,000	3,789,750	9,759,750
2047-2051	11,350,000	1,991,000	13,341,000
Total	<u>\$ 23,095,000</u>	<u>\$ 27,631,055</u>	<u>\$ 50,726,055</u>

Note 4 Agreements

Reimbursement Agreement (Operations)

On December 3, 2021, the District entered into a *Reimbursement Agreement (Operations)* with NADG Ken-Caryl Ranch LP (Developer) where the Developer has agreed to fund certain operational expenditures relating to the District. In exchange the District has agreed to reimburse the Developer for these expenditures plus simple interest at an annual rate of 7% beginning on the date of advance to the date of repayment. No specific source of funds is pledged, and no other form of security is pledged, to the payment of the Reimbursement Obligation.

Facilities Funding and Acquisition Agreement

On December 3, 2021 the District entered into a *Facilities Funding and Acquisition Agreement* with NADG Ken -Caryl Ranch LC (Developer) where the developer has agreed to either initially construct the Improvements to convey to the District or to initially fund the construction of the Improvements of the District. In exchange the District has agreed to reimburse the Developer for these expenditures plus simple interest at an annual rate of 7% beginning on the date of advance to the date of repayment. In the event the District is unable to reimburse Developer for Developer Advances or the acquisition of Improvements within 30 years of the date of the advancement, any amount of principal and accrued interest outstanding at such time shall be deemed to be forever discharged and satisfied in full.

Note 5 Tax, Spending, and Debt Limitation

Article X, Section 20 of the Colorado Constitution, the Taxpayer's Bill of Rights (TABOR), contains several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR.

**Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021**

Note 5 Tax, Spending, and Debt Limitation (Continued)

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, which must be at least 3% of fiscal year spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

Note 6 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District is a participant in the Colorado Special District Association Property and Liability Pool. The Pool was formed by an agreement by member special districts of the Special District Association as a separate and independent governmental and legal entity pursuant to the provisions of Article XIV, Section 18(2) of the Colorado Constitution and Sections 29-1-201 et. seq., 8-44-101(1)(c) and (3), 8-44-204, 24-10-115.5, and 29-13-102, C.R.S, as amended. Membership is restricted to Colorado special districts which are members of the Special District Association.

The purpose of the Pool is to provide defined property, liability, workers' compensation, and associated coverages, and claims and risk management services related thereto, for member special districts through a self-insurance pool. The Pool has contracted with other third parties to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceed amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, additional contributions may be required from the Pool members. Settled claims have not exceeded the District's commercial coverage in the last three years.

Note 7 Related Parties

Multiple members of the Board of Directors are officers or employees of owners (or affiliated entities) of property within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board.

Note 8 Authorized but Unissued Debt

The District has authorized but unissued debt in the amount of \$520,905,000 however, under the terms of the District's Service Plan, the maximum total aggregate principal amount of debt that may be issued or incurred by the District shall not exceed \$32,000,000. As of December 31, 2021 the District had \$8,905,000 of debt that was available to be issued under the service plan. As of December 31, 2021 the District has authorized but unissued debt for the following purposes:

**Hogback Metropolitan District
Notes to Financial Statements (Continued)
December 31, 2021**

Note 8 Authorized but Unissued Debt (Continued)

Purpose	Principal Amount Voted at 2014 Election	Principal Mount of Voted Authorization Allocated to Bonds	Principal Amount of Voted Debt Authorization Remaining from 2014 Election
Street	\$ 32,000,000	\$ 8,545,150	\$ 23,454,850
Parks and Recreation	32,000,000	5,080,900	26,919,100
Water	32,000,000	2,309,500	29,690,500
Sanitation	32,000,000	5,773,750	26,226,250
Transportation	32,000,000	-	32,000,000
Mosquito Control	32,000,000	-	32,000,000
Traffic Safety	32,000,000	692,850	31,307,150
Fire Protection	32,000,000	692,850	31,307,150
Television Relay / Translation	32,000,000	-	32,000,000
Security	32,000,000	-	32,000,000
TOTAL PUBLIC IMPROVEMENTS	320,000,000	23,095,000	296,905,000
Operations and Maintenance	32,000,000	-	32,000,000
Refunding	64,000,000	-	64,000,000
Reimbursement Agreements	32,000,000	-	32,000,000
Business Recruitment Debt	32,000,000	-	32,000,000
Revenue Debt	32,000,000	-	32,000,000
Special Assessed Debt	32,000,000	-	32,000,000
GRAND TOTAL	\$ 544,000,000	\$ 23,095,000	\$ 520,905,000

Other Supplemental Information

Hogback Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	\$ -	\$ 282	\$ 282
Total Revenue	<u>-</u>	<u>282</u>	<u>282</u>
Expenditures			
Contingency	500,000	-	500,000
Total Expenditures	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Revenue Over (Under) Expenditures	<u>(500,000)</u>	<u>282</u>	<u>500,282</u>
Other Financing Sources and (Uses)			
Transfers	19,350,000	18,500,000	(850,000)
Total Other Financing Sources and (Uses)	<u>19,350,000</u>	<u>18,500,000</u>	<u>(850,000)</u>
Net Change in Fund Balance	18,850,000	18,500,282	(349,718)
Beginning Fund Balance	-	-	-
Ending Fund Balance	<u>\$ 18,850,000</u>	<u>\$ 18,500,282</u>	<u>\$ (349,718)</u>

The accompanying notes are an integral part of these financial statements

Hogback Metropolitan District
Statement of Revenue and Expenditures and Change in Fund Balance
Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest	\$ -	\$ 76	\$ 76
Total Revenue	<u>-</u>	<u>76</u>	<u>76</u>
Expenditures			
Bond issuance costs	850,000	704,424	145,576
Total Expenditures	<u>850,000</u>	<u>704,424</u>	<u>145,576</u>
Revenue Over (Under) Expenditures	<u>(850,000)</u>	<u>(704,348)</u>	<u>145,652</u>
Other Financing Sources and (Uses)			
General obligation bonds issued	25,000,000	23,095,000	(1,905,000)
Premium on general obligation bonds issued	500,000	1,058,927	558,927
Transfers	<u>(19,350,000)</u>	<u>(18,500,000)</u>	<u>850,000</u>
Total Other Financing Sources and (Uses)	<u>6,150,000</u>	<u>5,653,927</u>	<u>(496,073)</u>
Net Change in Fund Balance	5,300,000	4,949,579	(350,421)
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ 5,300,000</u>	<u>\$ 4,949,579</u>	<u>\$ (350,421)</u>

The accompanying notes are an integral part of these financial statements