

**NORTH HOLLY METROPOLITAN DISTRICT
Adams County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**NORTH HOLLY METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2018**

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Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

Members of the Board of Directors
North Holly Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of North Holly Metropolitan District as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 North Holly Metropolitan District, as of December 31, 2018 and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

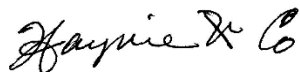
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise North Holly Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such 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.

The continuing disclosure annual financial information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado
July 19, 2019

BASIC FINANCIAL STATEMENTS

**NORTH HOLLY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 5,008
Cash and Investments - Restricted	5,603,676
Receivable - County Treasurer	48
Property Taxes Receivable	6,277
Prepaid Insurance	2,508
Capital Assets, Not Being Depreciated:	
Construction in Progress	6,330,059
Total Assets	11,947,576
LIABILITIES	
Accounts Payable	12,394
Noncurrent Liabilities:	
Due in One Year	48,377
Due in More Than One Year	13,648,282
Total Liabilities	13,709,053
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	6,277
Total Deferred Inflows of Resources	6,277
NET POSITION	
Restricted for:	
Emergency Reserves	200
Debt Service	2,323,717
Capital Projects	3,137,494
Unrestricted	(7,229,165)
Total Net Position	\$ (1,767,754)

See accompanying Notes to Basic Financial Statements.

**NORTH HOLLY METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 5,008	\$ -	\$ -	\$ 5,008
Cash and Investments - Restricted	200	2,463,264	3,140,212	5,603,676
Receivable - County Treasurer	48	-	-	48
Property Taxes Receivable	1,046	5,231	-	6,277
Prepaid Expenses	2,508	-	-	2,508
	<u>\$ 8,810</u>	<u>\$ 2,468,495</u>	<u>\$ 3,140,212</u>	<u>\$ 5,617,517</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	9,676	-	2,718	12,394
Total Liabilities	<u>9,676</u>	<u>-</u>	<u>2,718</u>	<u>12,394</u>
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	1,046	5,231	-	6,277
Total Deferred Inflows of Resources	<u>1,046</u>	<u>5,231</u>	<u>-</u>	<u>6,277</u>
FUND BALANCES				
Nonspendable:				
Prepaid Insurance	2,508	-	-	2,508
Restricted:				
Emergency Reserves	200	-	-	200
Debt Service	-	2,463,264	-	2,463,264
Capital Projects	-	-	3,137,494	3,137,494
Unassigned:				
General Government	(4,620)	-	-	(4,620)
Total Fund Balances	<u>(1,912)</u>	<u>2,463,264</u>	<u>3,137,494</u>	<u>5,598,846</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,810</u>	<u>\$ 2,468,495</u>	<u>\$ 3,140,212</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, not Being Depreciated

6,330,059

Long-term liabilities, including Developer advances, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds

Bonds Payable

(13,184,000)

Bond Interest Payable

(139,547)

Developer Advance Payable

(292,066)

Developer Advance Interest Payable

(81,046)

Net Position of Governmental Activities

\$ (1,767,754)

See accompanying Notes to Basic Financial Statements.

**NORTH HOLLY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 5,540	\$ -	\$ -	\$ 5,540
Specific Ownership Taxes	541	-	-	541
Net Investment Income	27	23,356	46,342	69,725
Other Income	1	-	-	1
Total Revenues	<u>6,109</u>	<u>23,356</u>	<u>46,342</u>	<u>75,807</u>
EXPENDITURES				
Accounting	17,218	-	-	17,218
County Treasurer's Fees	83	-	-	83
Election Expense	858	-	-	858
Insurance	1,633	-	-	1,633
Legal	30,661	-	-	30,661
Engineering	(17,020)	-	5,645	(11,375)
Bond Interest Senior Bonds	-	204,796	-	204,796
Cost of Issuance	-	-	527,976	527,976
Capital Outlay	-	-	6,330,059	6,330,059
Total Expenditures	<u>33,433</u>	<u>204,796</u>	<u>6,863,680</u>	<u>7,101,909</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,324)	(181,440)	(6,817,338)	(7,026,102)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds - Series 2018A	-	-	10,555,000	10,555,000
Bond Proceeds - Series 2018B	-	-	1,015,000	1,015,000
Bond Proceeds - Series 2018C	-	-	1,614,000	1,614,000
Developer Advances	69,585	-	6,330,059	6,399,644
Repayment of Developer Advances	-	-	(6,914,523)	(6,914,523)
Transfers (to) from Other Funds	-	2,644,704	(2,644,704)	-
Total Other Financing Sources (Uses)	<u>69,585</u>	<u>2,644,704</u>	<u>9,954,832</u>	<u>12,669,121</u>
NET CHANGE IN FUND BALANCES	42,261	2,463,264	3,137,494	5,643,019
Fund Balances - Beginning of Year	<u>(44,173)</u>	<u>-</u>	<u>-</u>	<u>(44,173)</u>
FUND BALANCES - END OF YEAR	<u>\$ (1,912)</u>	<u>\$ 2,463,264</u>	<u>\$ 3,137,494</u>	<u>\$ 5,598,846</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HOLLY METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ 5,643,019

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

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Bond Proceeds (13,184,000)

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/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay - Current Year 6,330,059

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

Repayment of Developer Advances 6,914,523
Developer Advances - Current Year (6,399,644)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability Series 2018 (139,547)
Accrued Interest on Developer Advances - Change in Liability (58,666)

Change in Net Position of Governmental Activities \$ (894,256)

**NORTH HOLLY METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 6,559	6,559	\$ 5,540	\$ (1,019)
Specific Ownership Taxes	720	720	541	(179)
Net Investment Income	-	-	27	27
Other Income	-	-	1	1
Total Revenues	<u>7,279</u>	<u>7,279</u>	<u>6,109</u>	<u>(1,170)</u>
EXPENDITURES				
Accounting	12,500	20,000	17,218	2,782
County Treasurer's Fees	98	100	83	17
Election Expense	-	1,000	858	142
Dues	500	-	-	-
Insurance	2,500	2,000	1,633	367
Legal	20,000	35,000	30,661	4,339
Engineering	-	6,500	(17,020)	23,520
Contingency	4,402	10,400	-	10,400
Total Expenditures	<u>40,000</u>	<u>75,000</u>	<u>33,433</u>	<u>41,567</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(32,721)	(67,721)	(27,324)	40,397
OTHER FINANCING SOURCES (USES)				
Developer Advances	35,000	35,000	69,585	(34,585)
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>35,000</u>	<u>69,585</u>	<u>(34,585)</u>
NET CHANGE IN FUND BALANCES	2,279	(32,721)	42,261	5,812
Fund Balances - Beginning of Year	<u>3,604</u>	<u>3,604</u>	<u>(44,173)</u>	<u>(47,777)</u>
FUND BALANCES - END OF YEAR	<u>\$ 5,883</u>	<u>\$ (29,117)</u>	<u>\$ (1,912)</u>	<u>\$ (41,965)</u>

See accompanying Notes to Basic Financial Statements.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

North Holly Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court of Adams County on November 18, 2005, 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 August 9, 2005; and as Amended and Restated Service Plan on August 28, 2007; and the First Amendment to the Amended and Restated Service Plan on January 14, 2014; and the Second Amendment to the Amended and Restated Service Plan on May 9, 2017. 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, water, storm, regional sanitary sewer facilities (primarily for single family residential development within the District), and parks and recreation facilities.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2018.

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 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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2018.

Deferred Inflows of Resources

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

Equity

Net Position

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

Fund Balance

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

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

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

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2018. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2019.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 5,008
Cash and Investments - Restricted	5,603,676
Total Cash and Investments	\$ 5,608,684

Cash and investments as of December 31, 2018, consist of the following:

Deposits with Financial Institutions	\$ 4,234
Investments	5,604,450
Total Cash and Investments	\$ 5,608,684

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% 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, 2018, the District's cash deposits had a bank balance and carrying balance of \$4,234.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 5,604,450
Total		<u>\$ 5,604,450</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized costs. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance - December 31, 2017	Additions	Reductions/ Reclassifications	Balance - December 31, 2018
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 6,330,059	\$ -	\$ 6,330,059
Total Capital Assets, Not Being Depreciated	<u>\$ -</u>	<u>\$ 6,330,059</u>	<u>\$ -</u>	<u>\$ 6,330,059</u>

Upon completion and acceptance, a significant portion of capital assets will be conveyed by the District to other local governments. The District will not be responsible for the maintenance of those assets. Upon acceptance of the improvements by other local governments, the District will remove the cost of construction from its capital assets.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2018:

	Balance - December 31, 2017	Additions	Retirements	Balance - December 31, 2018	Due Within One Year
Limited Tax General Obligation Bonds - Series 2018A	\$ -	\$ 10,555,000	\$ -	\$ 10,555,000	\$ -
Accrued Interest on Series 2018A Bonds	-	253,173	204,796	48,377	580,525
Subordinate Limited Tax General Obligation Bonds - Series 2018B	-	1,015,000	-	1,015,000	-
Accrued Interest on Series 2018B Bonds	-	34,859	-	34,859	-
Junior Lien Limited Tax General Obligation Bonds - Series 2018C	-	1,614,000	-	1,614,000	-
Accrued Interest on Series 2018C Bonds	-	56,311	-	56,311	-
Developer Advances - Holly 150 Investments, LLC - O&M	193,660	-	-	193,660	-
Accrued Interest on Developer Advances	63,715	13,578	-	77,293	-
Developer Advances - Holly 150 Investments, LLC - Capital	445,657	-	445,657	-	-
Accrued Interest on Developer Advances	116,220	22,587	138,807	-	-
Developer Advances - Toll Southwest, LLC - O&M	9,967	69,585	-	79,552	-
Accrued Interest on Developer Advances	106	3,423	-	3,529	-
Developer Advances - Toll Southwest, LLC - Capital	-	6,330,059	6,311,205	18,854	-
Accrued Interest on Developer Advances	-	19,078	18,854	224	-
Total	<u>\$ 829,325</u>	<u>\$ 19,986,653</u>	<u>\$ 7,119,319</u>	<u>\$ 13,696,659</u>	<u>\$ 580,525</u>

The details of the District's long term obligations are as follows:

General Obligation Bonds

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2018A (the 2018A Senior Bonds), **Subordinate Limited Tax General Obligation Bonds, Series 2018B** (the 2018B Subordinate Bonds) and **Junior Lien Limited Tax General Obligation Bonds, Series 2018C** (the 2018C Junior Lien Bonds, and together with the 2018A Senior Bonds and 2018B Subordinate Bonds, the Bonds) **dated July 24, 2018.**

The District issued the Bonds on July 24, 2018, in the par amounts of \$10,555,000 for the 2018A Senior Bonds, \$1,015,000 for the 2018B Subordinate Bonds and \$1,614,000 for the 2018C Junior Lien Bonds. Proceeds from the sale of the Bonds were applied to fund and reimburse a portion of the costs of certain public improvements. Only proceeds of the 2018A Senior Bonds were used to fund: (i) an initial deposit to the Senior Surplus Fund; (ii) capitalized interest on the 2018A Senior Bonds; and (iii) the costs of issuing the Bonds.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

The 2018A Senior Bonds bear interest at 5.50%, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2025. The 2018A Senior Bonds mature on December 1, 2048. To the extent the 2018A Senior Bonds are not paid when due, the unpaid principal will continue to bear interest and the unpaid interest will compound semiannually on each June 1 and December 1 until the total repayment obligation of the District equals the amount permitted by law and the electoral authorization in repayment of the 2018A Senior Bonds. The District is not permitted to impose the Senior Required Mill Levy for payment of the 2018A Senior Bonds after December 2058 (for collection in 2059). In the event any amount of principal or interest on the 2018A Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available on December 1, 2059, the 2018A Senior Bonds shall be deemed discharged.

The 2018B Subordinate Bonds bear interest at 7.875% per annum and mature on December 15, 2048. The 2018B Subordinate Bonds constitute subordinate "cash flow" bonds, meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest payments not paid when due will accrue and compound until sufficient Subordinate Pledged Revenue is available for payment. Principal and interest payments are due on the 2018B Subordinate Bonds on each December 15 only to the extent of available Subordinate Pledged Revenue. In the event that the Subordinate Pledged Revenue is insufficient to pay the 2018B Subordinate Bonds, the unpaid principal will continue to bear interest and the unpaid interest will compound annually until the total repayment obligation of the District equals the amount permitted by law and the electoral authorization in repayment of the 2018B Subordinate Bonds. The District is not permitted to impose the Subordinate Required Mill Levy for payment of the 2018B Subordinate Bonds after December 2058 (for collection in 2059). Any amounts due and owing on the 2018B Subordinate Bonds remaining after application of all available Subordinate Pledged Revenue on December 15, 2059, shall be deemed discharged.

The 2018C Junior Lien Bonds bear interest at 8% per annum and mature on December 15, 2050. The 2018C Junior Lien Bonds constitute junior lien "cash flow" bonds, meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest payments not paid when due will accrue and compound until sufficient Junior Lien Pledged Revenue is available for payment. Principal and interest payments are due on the 2018C Junior Lien Bonds on each December 15 only to the extent of available Junior Lien Pledged Revenue. In the event that the Junior Lien Pledged Revenue is insufficient to pay the 2018C Junior Lien Bonds, the unpaid principal will continue to bear interest and the unpaid interest will compound annually until the total repayment obligation of the District equals the amount permitted by law and the electoral authorization in repayment of the 2018C Junior Lien Bonds. The District is not permitted to impose the Junior Lien Required Mill Levy for payment of the 2018C Junior Lien Bonds after December 2058 (for collection in 2059). In the event that any principal or interest on the 2018C Junior Lien Bonds remains unpaid after the application of all Junior Lien Pledged Revenue available on December 15, 2059, the 2018C Junior Lien Bonds shall be deemed discharged.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

No payments are permitted to be made on the 2018C Junior Lien Bonds until the 2018B Subordinate Bonds and any obligations issued on a parity therewith are paid in full and, thereafter, payments on the 2018C Junior Lien Bonds are only permitted to be made annually from any Junior Lien Pledged Revenue that remains after all amounts required to be paid with respect to the 2018A Senior Bonds and any obligations issued on a parity therewith in such calendar year have been made.

The 2018A Senior Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2023, 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>
December 1, 2023, to November 30, 2024	3.00%
December 1, 2024, to November 30, 2025	2.00
December 1, 2025, to November 30, 2026	1.00
December 1, 2026, and thereafter	0.00

The 2018B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2023, 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>
December 15, 2023, to December 14, 2024	3.00%
December 15, 2024, to December 14, 2025	2.00
December 15, 2025, to December 14, 2026	1.00
December 15, 2026, and thereafter	0.00

The 2018C Junior Lien Bonds are subject to redemption prior to maturity, at the option of the District, on December 15, 2023, 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>
December 15, 2023, to December 14, 2024	3.00%
December 15, 2024, to December 14, 2025	2.00
December 15, 2025, to December 14, 2026	1.00
December 15, 2026, and thereafter	0.00

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

The 2018A Senior Bonds are payable solely from and to the extent of the Senior Pledged Revenue, defined generally in the Senior Indenture as the following, net of any costs of collection: (i) all Senior Property Tax Revenues; (ii) all Senior Specific Ownership Tax Revenues; (iii) all Capital Fees (if any); and (iv) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund. The 2018A Senior Bonds are additionally secured by capitalized interest which has been funded with proceeds of the 2018A Senior Bonds and by amounts in the Senior Surplus Fund which has been partially funded with proceeds of the 2018A Senior Bonds.

The 2018B Subordinate Bonds are payable solely from and to the extent of the Subordinate Pledged Revenue defined generally in the 2018B Subordinate Indenture as the following, net of any costs of collection: (i) all Subordinate Property Tax Revenues; (ii) all Subordinate Specific Ownership Tax Revenues; (iii) all Subordinate Capital Fee Revenue; (iv) any amounts released from the Senior Surplus Fund pursuant to the Senior Indenture; and (v) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

The 2018C Junior Lien Bonds are payable solely from and to the extent of the Junior Lien Pledged Revenue, which is defined generally in the 2018C Junior Lien Indenture as the following, net costs of collection: (i) all Junior Lien Property Tax Revenues; (ii) all Junior Lien Specific Ownership Tax Revenues; (iii) all Junior Lien Capital Fee Revenue; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

The District does not presently impose Capital Fees, nor is the District obligated to impose Capital Fees for the payment of the Bonds.

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

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

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

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

Pursuant to the Senior Indenture, prior to the Conversion Date, the District has covenanted to impose a Senior Required Mill Levy 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 2018A Senior Bonds as they become due and payable (less any amounts then on deposit in the Senior Bond Fund and, as provided in the Senior Indenture, the Senior Surplus Fund), but not in excess of 50 mills; provided that: (i) for so long as the amount on deposit in the Senior Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 50 mills 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 2018A Senior Bonds as they become due and payable and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund and the Senior Surplus Fund will pay the 2018A Senior Bonds in full in the year such levy is collected; and (ii) in the event that the method of calculating assessed valuation is changed after January 1, 2004, the minimum levy of 50 mills and maximum levy of 50 mills shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation. A statutory change in the method of calculating assessed value of residential property has occurred since January 1, 2004, and the minimum and maximum mill levies of 50 mills have been adjusted to 55.277 mills.

On and after the Conversion Date, the District covenants to impose a Senior Required Mill Levy in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as they become due and payable (less any amounts then on deposit in the Senior Bond Fund, and as provided in the Senior Indenture, the Senior Surplus Fund) without limitation of rate. 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 Senior Indenture defines the Conversion Date as the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50% or less; and (b) no amounts of principal or interest on the 2018A Senior Bonds are due but unpaid.

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy 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 on deposit in the Subordinate Bond Fund, will pay the 2018B Subordinate Bonds in full in the year such levy is collected. As a result, the Subordinate Required Mill Levy will be zero at any time that the Senior Required Mill Levy is required to be imposed in the amount of at least 50 mills (as adjusted).

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

Pursuant to the Junior Lien Indenture, the District has covenanted to impose a Junior Lien Required Mill Levy in an amount equal to (i) 50 mills (as adjusted) less the Senior/Subordinate Required Mill Levy, or (ii) such lesser amount that will generate Junior Lien Property Tax Revenues which, when combined with moneys on deposit in the Junior Lien Bond Fund, will pay the 2018C Junior Lien Bonds in full in the year such levy is collected. As a result, the Junior Lien Required Mill Levy will be zero at any time that the Senior/Subordinate Required Mill Levy is required to be imposed in the amount of at least 50 mills (as adjusted).

"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.

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

"Junior Lien Specific Ownership Tax Revenues" means the specific ownership taxes remitted to the District as a result of its imposition of the Junior Lien Required Mill Levy.

The 2018A Senior Bonds are also secured by amounts on deposit in the Senior Surplus Fund which was partially funded from proceeds of the 2018A Senior Bonds in the Initial Deposit amount of \$896,000. In addition, Senior Pledged Revenue that is not needed to pay debt service on the 2018A Senior Bonds, if any, will be deposited to the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount. The Maximum Surplus Amount means, prior to the Conversion Date, an amount equal to \$2,111,000.

Pursuant to the Senior Indenture, promptly after the Conversion Date, all amounts on deposit in the Senior Surplus Fund in excess of the amount of the Initial Deposit shall be released to the District for application to any legal purpose of the District. If on the Conversion Date the amount on deposit in the Senior Surplus Fund is less than the amount of the Initial Deposit, then no money shall be released to the District from the Senior Surplus Fund. After the Conversion Date, the District shall have no obligation to replenish or fund the Senior Surplus Fund in the event it is drawn upon in accordance with the Senior Indenture.

Amounts released from the Senior Surplus Fund upon the Conversion Date are pledged to the 2018B Subordinate Bonds in accordance with the Subordinate Indenture.

Any amounts on deposit in the Senior Surplus Fund on the final maturity date of the 2018A Senior Bonds shall be applied to payment of the 2018A Senior Bonds and shall be taken into account in calculating the Senior Required Mill Levy to be imposed in the levy year prior to the year of the final maturity of the 2018A Senior Bonds.

The balance in the Senior Surplus Fund at December 31, 2018, was \$904,048.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds (Continued)

The District issued \$13,184,000 in General Obligation Bonds dated July 24, 2018 for funding and reimbursing a portion of the costs of acquiring, constructing, and installing public improvements. Bond proceeds were also transferred by the bond resolution from the Capital Projects Fund to the Debt Service Fund to pay the bond interest for the subsequent construction period and to establish a surplus account.

The outstanding bond principal and interest of the 2018A Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 580,525	\$ 580,525
2020	-	580,525	580,525
2021	-	580,525	580,525
2022	-	580,525	580,525
2023	-	580,525	580,525
2024-2028	500,000	2,875,125	3,375,125
2029-2033	1,200,000	2,644,675	3,844,675
2034-2038	1,790,000	2,252,800	4,042,800
2039-2043	2,570,000	1,680,250	4,250,250
2044-2048	4,495,000	865,700	5,360,700
Total	<u>\$ 10,555,000</u>	<u>\$ 13,221,175</u>	<u>\$ 23,776,175</u>

The annual debt service requirements on the 2018B Subordinate Bonds and 2018C Junior Lien Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue and Junior Lien Pledged Revenue, respectively.

Developer Advances

On January 19, 2006 the District entered into Advance and Reimbursement Agreements with Holly 150 Investments, LLC and Holly Hills Estates, LLC for construction, maintenance, and operation costs associated with the provision of certain public improvements, facilities and services. The District agreed to reimburse the Developers for Advances at the rate of 7%. No additional funds are expected to be advanced to the District from these Developers. As of December 31, 2018 outstanding advances under the agreement total \$193,660 for operations and maintenance, and accrued interest of \$77,293.

On June 29th, 2017 the District entered into an Assignment of Advance and Reimbursement Agreement, which transferred the rights and benefits defined in their Advance and Reimbursement Agreements to Toll Southwest, LLC developers where the District agreed to reimburse the prior developers for advances made on or before May 8, 2017. This agreement also required the district to reimburse prior developer advances before reimbursing current developer advances.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (Continued)

On November 10, 2017, the District and the Developer, Toll Southwest, LLC, entered into an advance and reimbursement agreement for operation and maintenance costs. The District agrees to reimburse the Developer for advances made plus interest accrued at 7% per annum, non-compounding. As of December 31, 2018 outstanding advances under the agreement total \$79,552 for operations and maintenance, with accrued interest of \$3,529, and \$18,854 for capital, with accrued interest of \$224.

On November 10, 2017 the District and the Developer, Toll Southwest, LLC, entered into and Infrastructure Acquisition Agreement where the District would acquire Public Improvements from the Developer.

Authorized Debt

On November 1, 2005, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$10,100,000 at an interest rate not to exceed 18% per annum.

On November 4, 2014 a majority of qualified electors of the District authorized the additional issuance of indebtedness of \$36,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 1, 2005	Amount Authorized on November 4, 2014	Authorization Used for 2018 Bonds	Authorization Issued but Unused - 2018 Bonds	Authorized But Unissued
Water	\$ -	\$ 6,000,000	\$ 1,291,939	\$ 722,287	\$ 3,985,774
Sewer	5,000,000	-	2,038,439	1,139,634	1,821,927
Streets	-	6,000,000	3,361,422	1,879,276	759,302
Parks and Recreation	-	6,000,000	872,839	487,980	4,639,182
Sanitation	-	6,000,000	891,674	498,510	4,609,815
Operation and Maintenance	100,000	6,000,000	-	-	6,100,000
Debt Refunding	5,000,000	6,000,000	-	-	11,000,000
Total	<u>\$ 10,100,000</u>	<u>\$ 36,000,000</u>	<u>\$ 8,456,313</u>	<u>\$ 4,727,687</u>	<u>\$ 32,916,000</u>

Pursuant to the Service Plan, the maximum general obligation indebtedness for all of Financing Districts combined is not to exceed \$15,000,000.

NOTE 6 NET POSITION

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

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 NET POSITION (CONTINUED)

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2018 as follows:

	Governmental Activities
Restricted Net Position:	
TABOR Emergency Reserve	\$ 200
Debt Service	2,323,717
Capital Projects	3,137,494
Total Restricted Net Position	\$ 5,461,411

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 which were conveyed to other governmental entities and which costs will be removed from the District's financial records.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Toll Southwest, LLC. The majority members of the Board of Directors of the District are employees, owners or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 INTERFUND AND OPERATING TRANSFERS

The transfer from the Capital Project Fund to the Debt Service Fund was related to the District's bond issuance.

NOTE 9 ECONOMIC DEPENDENCY

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

NOTE 10 AGREEMENTS

Intergovernmental Agreement – City of Thornton

On May 9, 2017 the District entered into an intergovernmental agreement with the City of Thornton regarding the Second Amendment to the Amended and Restated Service Plan for the District. The District agrees to dedicate Public Improvements to the City, or other appropriate jurisdiction in a manner consistent with the Approved Conceptual Site Plan.

**NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 12 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 4, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

SUPPLEMENTARY INFORMATION

**NORTH HOLLY METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Net Investment Income	\$ -	\$ -	\$ 23,356	\$ 23,356
Total Revenues	-	-	23,356	23,356
EXPENDITURES				
Bond Interest Senior Bonds	-	235,000	204,796	30,204
Total Expenditures	-	235,000	204,796	30,204
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(235,000)	(181,440)	53,560
OTHER FINANCING SOURCES (USES)				
Transfer from Other Fund	-	2,637,575	2,644,704	7,129
Total Other Financing Sources (Uses)	-	2,637,575	2,644,704	7,129
NET CHANGE IN FUND BALANCES	-	2,402,575	2,463,264	60,689
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 2,402,575</u>	<u>\$ 2,463,264</u>	<u>\$ 60,689</u>

**NORTH HOLLY METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ -	\$ 46,342	\$ 46,342
Total Revenues	-	-	46,342	46,342
EXPENDITURES				
Engineering	-	6,000	5,645	355
Cost of Issuance	-	530,000	527,976	2,024
Capital Outlay	3,000,000	7,764,000	6,330,059	1,433,941
Total Expenditures	3,000,000	8,300,000	6,863,680	1,436,320
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,000,000)	(8,300,000)	(6,817,338)	1,482,662
OTHER FINANCING SOURCES (USES)				
Bond Proceeds - Series 2018A	-	10,555,000	10,555,000	-
Bond Proceeds - Series 2018B	-	1,015,000	1,015,000	-
Bond Proceeds - Series 2018C	-	1,614,000	1,614,000	-
Developer Advances	3,000,000	7,733,191	6,330,059	(1,403,132)
Repayment of Developer Advances	-	(7,000,000)	(6,914,523)	85,477
Transfer to Other Fund	-	(2,700,000)	(2,644,704)	55,296
Total Other Financing Sources (Uses)	3,000,000	11,217,191	9,954,832	(1,262,359)
NET CHANGE IN FUND BALANCES	-	2,917,191	3,137,494	220,303
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ 2,917,191	\$ 3,137,494	\$ 220,303

**NORTH HOLLY METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2018**

\$10,555,000 Limited Tax (Convertible to Unlimited Tax)
General Obligation Bonds - Series 2018A
Interest Rate 5.50%
Date: July 24, 2018
Interest Payable June 1 and December 1
Principal Payable December 1

Year Ending December 31,	Principal	Interest	Total
2019	\$ -	\$ 580,525	\$ 580,525
2020	-	580,525	580,525
2021	-	580,525	580,525
2022	-	580,525	580,525
2023	-	580,525	580,525
2024	-	580,525	580,525
2025	35,000	580,525	615,525
2026	115,000	578,600	693,600
2027	165,000	572,275	737,275
2028	185,000	563,200	748,200
2029	195,000	553,025	748,025
2030	225,000	542,300	767,300
2031	235,000	529,925	764,925
2032	265,000	517,000	782,000
2033	280,000	502,425	782,425
2034	310,000	487,025	797,025
2035	325,000	469,975	794,975
2036	360,000	452,100	812,100
2037	380,000	432,300	812,300
2038	415,000	411,400	826,400
2039	440,000	388,575	828,575
2040	480,000	364,375	844,375
2041	510,000	337,975	847,975
2042	555,000	309,925	864,925
2043	585,000	279,400	864,400
2044	635,000	247,225	882,225
2045	665,000	212,300	877,300
2046	720,000	175,725	895,725
2047	760,000	136,125	896,125
2048	1,715,000	94,325	1,809,325
Total	<u>\$ 10,555,000</u>	<u>\$ 13,221,175</u>	<u>\$ 23,776,175</u>

**NORTH HOLLY METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED
 YEAR ENDED DECEMBER 31, 2018**

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	
2014	\$ 97,480	50.000	0.000	\$ 4,874	\$ 4,874	100.00 %
2015	90,470	50.000	0.000	4,524	2,952	65.25
2016	22,460	50.000	0.000	1,123	530	47.20
2017	21,810	50.000	0.000	1,091	490	44.93
2018	118,650	55.277	0.000	6,559	5,540	84.47
Estimated for Year Ending December 31, 2019	\$ 94,640	11.055	55.277	\$ 6,277		

Note: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

**CONTINUING DISCLOSURE ANNUAL INFORMATION AS REQUIRED BY THE LIMITED TAX
GENERAL OBLIGATION BONDS, SERIES 2018**

**NORTH HOLLY METROPOLITAN DISTRICT
CONTINUING DISCLOSURE ANNUAL INFORMATION AS REQUIRED BY THE LIMITED TAX
GENERAL OBLIGATION BONDS, SERIES 2018
YEAR ENDED DECEMBER 31, 2018**

History of Assessed Valuation and Mill Levies for the District

<u>Levy Year</u>	<u>Collection Year</u>	<u>Assessed Valuation</u>	<u>Percent Increase</u>	<u>Mill Levy</u>
2018	2019	\$ 118,650	444.02 %	55.277
2019	2020	94,640	(20.24)	66.332

Source: Adams County Assessor's Office

Property Tax Collections in the District

<u>Levy Year</u>	<u>Collection Year</u>	<u>Taxes Levied</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Current Collections as a Percent of Tax Levied</u>
2018	2019	\$ 6,277	\$ 47	0.75 %

⁽¹⁾ Figures are through March 31, 2019

Source: Adams County Assessor's Office

Largest Taxpayers Within the District

<u>Name</u>	<u>Assessed Valuation</u>	<u>Percent of Assessed Valuation</u>
Toll Southwest LLC ⁽¹⁾	\$ 94,640	100.00 %
Total	<u>\$ 94,640</u>	<u>100.00 %</u>

⁽¹⁾ Represents the Developer's ownership of land within the District

⁽²⁾ The 2018 assessed valuation figure of the District used in computing the above was \$94,640. Figures have been rounded.

Source: Adams County Assessor's Office