



**NORTH HOLLY**  
*Metropolitan District*

THORNTON  
ADAMS COUNTY, COLORADO



**FINANCIAL STATEMENTS**  
**As of and for the 12-month period ended**  
**December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

July 23, 2021

To the Board of Directors  
North Holly Metropolitan District

### Report on the Financial Statements

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, 2020 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 and 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 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 governmental activities and the major funds of North Holly Metropolitan District, as of December 31, 2020 and the respective changes in financial position and the budgetary comparison for the General Fund, Reserve Fund and Debt 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, 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.

B F Boyer CPA PC

**Certified Public Accountants  
Lakewood, CO**

**NORTH HOLLY METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2020

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 24,006
Cash and investments – restricted	1,561,234
Accounts receivable – specific ownership taxes	-
Property taxes receivable	380,200
Prepaid expenses	5,941
Capital assets	431,300
Land	8,690
<b>Total Assets</b>	<b>\$ 2,411,371</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 5,851
Accrued interest payable	596,438
Current portion of municipal bonds	-
Municipal bonds	13,184,000
<b>Total Liabilities</b>	<b>13,786,289</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	380,200
<b>NET POSITION</b>	
Non-spendable	5,941
Restricted:	
Emergency reserves	4,500
Debt service	1,556,734
Capital projects	-
Unassigned:	( 13,322,293)
<b>Total Net Position</b>	<b>(\$ 11,755,118)</b>

These financial statements should be read only in connection with  
the accompanying notes to the financial statements.

NORTH HOLLY METROPOLITAN DISTRICT  
**STATEMENT OF ACTIVITIES**  
For the 12-Month Period Ended December 31, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government:</b>					
<b>Government Activities:</b>					
General government activities	(\$ 40,903)	\$ -	\$ 22,000	\$ -	(\$ 18,903)
Interest and related costs on long-term debt	( 856,095)	-	-	-	( 856,095)
Capital project activities	( 2,269,678)	-	-	-	( 2,268,678)
	<u>(\$3,166,676)</u>	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ -</u>	<u>( 3,144,676)</u>
<b>General Revenues</b>					
					\$ 270,797
					19,873
					15,371
					<u>306,041</u>
					( 2,838,635)
					<u>( 8,916,483)</u>
					<u>(\$ 11,755,118)</u>

These financial statements should be read only in connection with the accompanying notes to the financial statements.

**NORTH HOLLY METROPOLITAN DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
December 31, 2020**

	General	Debt Service	Capital Projects	Total Government Funds
<b>ASSETS</b>				
Cash and investments	\$ 22,783	\$ -	\$ 1,223	\$ 24,006
Cash and investments - Restricted	4,500	1,556,734	-	1,561,234
Accounts receivable – spec ownership taxes	-	-	-	-
Property taxes receivable	84,800	295,400	-	380,200
Prepaid expenses	5,941	-	-	5,941
<b>TOTAL ASSETS</b>	<b>\$ 118,024</b>	<b>\$ 1,852,134</b>	<b>\$ 1,223</b>	<b>\$ 1,971,381</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4,628	-	1,223	5,851
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	84,800	295,400	-	380,200
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>89,428</b>	<b>295,400</b>	<b>1,223</b>	<b>386,051</b>
<b>FUND BALANCES</b>				
Non-spendable	5,941	-	-	5,941
Restricted:				
Emergencies (TABOR)	4,500	-	-	4,500
Debt service	-	1,556,734	-	1,556,734
Capital projects	-	-	-	-
Unrestricted	18,155	-	-	18,155
<b>Total Fund Balances</b>	<b>28,596</b>	<b>1,556,734</b>	<b>-</b>	<b>1,585,330</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 118,024</b>	<b>\$ 1,852,134</b>	<b>\$ 1,223</b>	

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds

Property, structures and equipment, net	431,300
Land	8,690

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds

Bonds payable	(13,184,000)
Accrued interest payable	( 596,438)

Net position of governmental activities	<u>(\$11,755,118)</u>
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These financial statements should be read only in connection with  
the accompanying notes to the financial statements.

NORTH HOLLY METROPOLITAN DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
12-Month Period Ended December 31, 2020

	General	Debt Service	Capital Projects	Total Government Funds
<b>REVENUES</b>				
Property taxes	\$ 45,131	\$ 225,666	\$ -	\$ 270,797
Specific ownership taxes	3,312	16,561	-	19,873
Developer advances	22,000	-	-	22,000
Net investment income	3,106	9,023	3,242	15,371
Total revenues	73,549	251,250	3,242	328,041
<b>EXPENDITURES</b>				
General and administration	21,060	34,980	13,164	69,204
Landscaping maintenance	17,053	-	-	17,053
Other expenses	2,790	-	-	2,790
<b>Debt service</b>				
Bond interest payments	-	580,525	-	580,525
Bond principal payments	-	-	-	-
Public infrastructure acquisitions	-	-	2,238,514	2,238,514
Total Expenditures	40,903	615,505	2,251,678	2,908,086
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	32,646	( 364,255)	(2,248,436)	( 2,580,045)
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	( 5,557)	-	5,557	-
<b>NET CHANGE IN FUND BALANCE</b>	27,089	( 364,255)	(2,242,879)	( 2,580,045)
<b>FIND BALANCES – BEGINNING OF YEAR</b>	1,507	1,920,989	2,242,879	4,165,375
<b>FUND BALANCES – END OF YEAR</b>	\$ 28,596	\$1,556,734	\$ -	\$ 1,585,330

These financial statements should be read only in connection with  
the accompanying notes to the financial statements.

NORTH HOLLY METROPOLITAN DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**  
12-Month Period Ended December 31, 2020

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

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**Net change in fund balances – Total government funds** (\$ 2,580,045)

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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Depreciation expense on property and structures ( 18,000)

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.

Increase in accrued bond interest payable ( 240,590)

**Changes in net position of governmental activities** **(\$ 2,838,635)**

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These financial statements should be read only in connection with  
the accompanying notes to the financial statements.

NORTH HOLLY METROPOLITAN DISTRICT  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL**  
12-Month Period Ended December 31, 2020

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Property taxes	\$45,131	\$ 45,131	\$ -
Specific ownership taxes	3,610	3,312	( 298)
Developer advance	50,000	22,000	( 28,000)
Net investment income	210	3,106	2,896
<b>Total revenues</b>	<b>98,951</b>	<b>73,549</b>	<b>( 25,402)</b>
<b>EXPENDITURES</b>			
General and administration	73,000	21,060	51,940
Landscape maintenance	25,000	17,051	7,949
Other expenses	-	2,790	( 2,790)
<b>Total expenditures</b>	<b>98,000</b>	<b>40,903</b>	<b>57,097</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>951</b>	<b>32,646</b>	<b>31,695</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	( 5,557)	( 5,557)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>( 5,557)</b>	<b>( 5,557)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>951</b>	<b>27,089</b>	<b>26,138</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>6,026</b>	<b>1,507</b>	<b>( 4,519)</b>
<b>FUND BALANCE – END OF YEAR</b>	<b>\$ 6,977</b>	<b>\$ 28,596</b>	<b>\$ 21,619</b>

These financial statements should be read only in connection with  
the accompanying notes to the financial statements.

**NORTH HOLLY METROPOLITAN DISTRICT  
GENERAL FUND EXPENDITURE  
DETAILS– BUDGET AND ACTUAL  
12-Month Period Ended December 31, 2020**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>GENERAL AND ADMINISTRATION</b>			
District accounting & management fees	\$ 30,000	\$ 28,614	\$ 1,386
Administrative costs	2,400	62	2,339
Audit fees	5,400	5,940	( 540)
Collection fees – County Treasurer	677	678	( 1)
Board of Directors’ fees	-	-	-
Board training and conferences	-	-	-
Insurance	3,000	2,633	367
Legal fees	25,000	6,723	18,277
Indirect collection cost allocable to debt fund	-	( 23,590)	23,590
Contingency	6,523	-	6,523
Total General and Administration	<u>\$ 73,000</u>	<u>\$ 21,060</u>	<u>\$ 51,940</u>
<b>LANDSCAPING MAINTENANCE</b>			
Landscape maintenance services	\$ 15,000	\$ 10,879	\$ 4,121
Sprinkler repairs	-	1,693	( 1,693)
Sprinklers – water	10,000	3,035	6,965
Miscellaneous landscape expenses	-	1,444	( 1,444)
Total Landscaping Maintenance	<u>\$ 25,000</u>	<u>\$ 17,051</u>	<u>\$ 7,949</u>
<b>OTHER EXPENSES</b>			
Snow removal	\$ -	\$ 2,790	(\$ 2,790)
Miscellaneous - other	-	-	-
Total Other Expenses	<u>\$ -</u>	<u>\$ 2,790</u>	<u>(\$ 2,790)</u>

These financial statements should be read only in connection with  
the accompanying notes to the financial statements.

NORTH HOLLY METROPOLITAN DISTRICT  
**NOTES TO FINANCIAL STATEMENTS**  
12-Month Period Ended December 31, 2020

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

North Holly Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 18, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by City of Thornton (City) in August 2005 and amended with City approval in August 2007, January 2014 and May 2017. The District's service area is located in Adams County, Colorado entirely within the boundaries of the City. The District was established to provide financing for the design, acquisition, construction and installation of streets, traffic and safety controls, park and recreation, sanitary sewer, storm drainage and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was also established to (1) maintain all open spaces, parks and recreation improvements within the District and (2) maintain perimeter fencing.

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 organizations 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the District are 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.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions

These notes are an integral part of the accompanying financial statements.

that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for 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 specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

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

### **Budgets**

In accordance with Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures 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.

### **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.

These notes are an integral part of the accompanying financial statements.

Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at fair value.

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

On November 4, 2014, District voters authorized the District to assess property taxes up to \$1,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

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

## **Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. In 2020, the District's share of Specific ownership taxes was equal to approximately 7.3% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

## **Collection Costs**

Collection costs incurred by the District related to the collection of property taxes includes all costs incurred by the District that enable and support the District's ability to collect property taxes revenue. Generally, such costs include (a) operating and reporting compliance costs that protect the District's right to collect property taxes (e.g. financial statement audit fees, fees paid to professionals to prepare mandatory periodic financial and operational reports to the City and State, etc), (b) professional fees related to applying and monitoring accounting controls over the collection of District revenues, (c) costs related to managing the District's annual property tax assessment process and (d) insurance protecting the District from liability exposure that potentially could arise from performing these activities.

For the 2020 year, the District allocated indirect collection costs between its general fund (50% cost allocation) and its debt fund (50% cost allocation). Direct collection costs such as county treasurer collection fees are proportionally

These notes are an integral part of the accompanying financial statements.

allocated to each fund on the basis of each property tax revenue allocable to each fund proportion to total property tax revenue assessed by the District.

### **Deferred Outflows of Resources and Deferred Inflows of Resources**

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2020 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

### **Capital Assets**

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District has 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 that are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets.

When purchased or constructed, the District classifies newly acquired property, equipment and structures by functional area. The estimated depreciable lives assigned to each asset class are based on the assumption that such assets are reasonably and regularly maintained and used for their intended purpose.

### **Equity**

#### **Net Position**

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

#### **Fund Balance**

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

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

These notes are an integral part of the accompanying financial statements.

- **Restricted fund balance** – The portion of a fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- **Committed fund balance** – The portion of a 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 a 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 a 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 policy to use the most restrictive classification first.

### NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ 24,006
Cash and investments – restricted	1,561,234
<b>Total cash and investments</b>	<b>\$ 1,585,240</b>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 88,144
Investments	1,497,096
<b>Total cash and investments</b>	<b>\$ 1,585,240</b>

### 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.

As of December 31, 2020, the District's cash deposits had a bank and carrying balance of \$88,144.

These notes are an integral part of the accompanying financial statements.

## 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 listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

As of December 31, 2020, the District's investments were comprised of the following:

<b>Investment</b>	<b>Maturity</b>	<b>Amortized Cost</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 1,497,096
		<b>\$ 1,497,096</b>

## CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), 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 CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements

These notes are an integral part of the accompanying financial statements.

collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. 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. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

#### NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the 12-month period ended December 31, 2020, follows:

	Balance at Dec. 31, 2019	Additions	Dedications	Balance at Dec. 31, 2020	Accumulated Depreciation
<b>Capital assets not being depreciated</b>					
Land	\$ 8,690	\$ -	\$ -	\$ 8,690	
Total capital assets not being depreciated	8,690	-	-	8,690	
<b>Capital assets subject to depreciation</b>					
Basketball court	49,600	-	-	49,600	(\$ 2,000)
Playground and park equipment	169,000	-	-	169,000	( 6,800)
Sidewalks	130,300	-	-	130,300	( 5,200)
Pavilion	55,400	-	-	55,400	( 2,200)
Irrigation system	45,000	-	-	45,000	( 1,800)
Total capital assets subject to depreciation	449,300	-	-	449,300	( 18,000)
<b>Capital assets, net</b>	<b>\$ 457,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 457,990</b>	<b>(\$ 18,000)</b>

As of December 31, 2020, the District owns one 8.69-acre land tract within the Holly Hills Estates Filing No. 1 subdivision. The District records its public land holdings at a nominal value of \$8,690. The Developer has indicated it will be turning over ownership of the remaining 14.43 acres of open space land tracts within the homeowner-controlled District to the Developer-controlled HOA.

#### NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2020:

	Balance at Dec. 31, 2019	Additions	Retirements	Balance at Dec. 31, 2020	Due within one year
Series 2018A G.O. Bonds	\$ 10,555,000	\$ -	\$ -	\$ 10,555,000	\$ -
Accrued Interest – Series 2018A G.O. Bonds	48,377	580,525	( 580,525)	48,377	-
Series 2018B G.O. Bonds	1,015,000	-	-	1,015,000	-
Accrued Interest – Series 2018B G.O. Bonds	117,535	96,275	-	213,810	-
Series 2018C Junior Lien Bonds	1,614,000	-	-	1,614,000	-

These notes are an integral part of the accompanying financial statements.

Accrued Interest – Series 2018C Junior Lien Bonds	189,936	144,315	-	334,251	-
<b>Total</b>	<b>\$ 13,539,848</b>	<b>\$ 821,115</b>	<b>(\$ 580,525)</b>	<b>\$ 13,780,438</b>	<b>\$ -</b>

Details regarding the District's long-term obligations are as follows:

### Series 2018A General Obligation Refunding and Improvement Bonds (Senior Bonds)

On July 19, 2019, the District issued Limited Tax (Convertible to Unlimited Tax) G.O. Refunding and Improvement Bonds, Series 2018A in the amount of \$10,555,000. The stated interest rate on the Senior Bonds is 5.500%, and the Bonds are payable semi-annually on June 1 and December 1, beginning on December 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. The Senior Bonds mature on December 1, 2048. In the event any amounts due and owing on the Senior Bonds remain outstanding on December 1, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The proceeds from the sale of the Senior Bonds were used as follows:

Bond proceeds	\$ 10,555,000
Less:	
Capitalized interest costs	( 1,741,575)
Funds restricted for the Senior Reserve Fund	( 896,000)
Underwriter's discount	( 211,100)
Legal, accounting and other costs of issuance	( 279,292)
<b>Net bond proceeds available for funding costs of public improvements within and without the District</b>	<b>\$ 7,427,033</b>

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

- a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
- b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
- c) all Capital Fees; and
- d) any other legally available amounts that the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

Amounts on deposit in the Senior Bond Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of \$2,111,000. The Senior Reserve Fund was originally funded with bond proceeds in the amount of \$896,000.

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount. Pursuant to the Senior Indenture, the Senior Surplus Fund will be terminated upon the Conversion Date, if it occurs, and any moneys therein applied to any legal purpose of the District. Under the Subordinate Indenture, any amounts in the Senior Surplus Fund upon termination of such fund are pledged to the payment of the Subordinate Bonds. The balance in the Senior Surplus Fund at December 31, 2020, was \$922,203.

These notes are an integral part of the accompanying financial statements.

The 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:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 1, 2023, to November 30, 2024	3.0%	\$ 316,650
December 1, 2024, to November 30, 2025	2.0%	\$ 211,100
December 1, 2025, to November 30, 2026	1.0%	\$ 105,200
December 1, 2026, and thereafter	0.0%	\$ -

Outstanding bond principal and interest on the Senior Bonds mature as follows:

	Principal	Interest	Total
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 to 2029	695,000	2,847,625	3,542,625
2030 to 2034	1,315,000	2,578,675	3,893,675
2035 to 2039	1,920,000	2,154,350	4,074,350
2040 to 2044	2,765,000	1,538,900	4,303,900
2045 to 2048	3,860,000	618,475	4,478,475
<b>Total</b>	<b>\$ 10,555,000</b>	<b>\$ 12,640,650</b>	<b>\$ 23,195,650</b>

The District's detail debt service schedule for its Senior Bonds is provided on page 28.

### Series 2018B Subordinate Limited Tax G.O. Bonds (Subordinate Bonds)

On July 19, 2018, the District issued Subordinate Limited Tax G.O. Bonds, Series 2018B in the amount of \$1,015,000. The stated interest rate on the Subordinate Bonds is 7.875% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2048. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In the event any amounts due and owing on the Subordinate Bonds remain outstanding on December 15, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The proceeds from the sale of the Subordinate Bonds were used as follows:

Bond proceeds	\$ 1,015,000
Less:	
Underwriter's discount	( 30,450)
<b>Net bond proceeds available for funding costs of public improvements within and without the District</b>	<b>\$ 984,550</b>

These notes are an integral part of the accompanying financial statements.

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

- a) all Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
- b) all Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
- c) all Subordinate Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds);
- d) any amounts in the Senior Surplus Fund upon the termination of such fund pursuant to the terms of the Senior Indenture; and
- e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Under the Subordinate Indenture, any amounts in the Senior Surplus Fund (which is funded up to the Maximum Amount) upon termination of such fund are pledged to the payment of the Subordinate Bonds.

The 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:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 15, 2023, to December 14, 2024	3.0%	\$ 30,450
December 15, 2024, to December 14, 2025	2.0%	\$ 20,300
December 15, 2025, to December 14, 2026	1.0%	\$ 10,150
December 15, 2026, and thereafter	0.0%	\$ -

**Series 2018C Junior Lien Limited Tax G.O. Bonds (Junior Lien Bonds)**

On July 19, 2018, the District issued Junior Lien Limited Tax G.O. Bonds, Series 2018C in the amount of \$1,654,000. The stated interest rate on the Junior Lien Bonds is 8.000% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Junior Lien Pledged Revenue available, if any, and mature on December 15, 2050.

The Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Junior Lien Bonds compounds annually on each December 15. In no event is any principal or interest to be paid on the Junior Lien Bonds until the Subordinate Bonds, and to the extent required by the applicable Senior/Subordinate Obligation Indentures, any other Senior/Subordinate Obligations, have been paid in full or defeased.

The Junior Lien Bonds are secured by and payable from Junior Lien Pledged Revenue, net of any costs of collection, which includes:

- a) all Junior Lien Property Taxes (generated by the imposition of the Junior Lien Required Mill Levy);
- b) all Junior Lien Specific Ownership Taxes (attributable to the Junior Lien Required Mill Levy);
- c) all Junior Lien Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds and the Subordinate Bonds); and
- d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

These notes are an integral part of the accompanying financial statements.

The 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:

Date of Redemption	Redemption Premium (%)	Redemption Premium (\$)
December 15, 2023, to December 14, 2024	3.0%	\$ 49,620
December 15, 2024, to December 14, 2025	2.0%	\$ 33,080
December 15, 2025, to December 14, 2026	1.0%	\$ 16,540
December 15, 2026, and thereafter	0.0%	\$ -

Per section 4.05(f) of the Junior Lien Indenture of Trust, if the Junior Lien Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Junior Lien Bonds when due, the District has irrevocably covenanted to use its best efforts to refinance, refund, or otherwise restructure the Bonds so as to avoid such payment shortfall. In the event any amount of principal or interest on the Junior Lien Bonds remains unpaid on December 15, 2058 after application of (1) all Junior Lien Pledged Revenue and (2) proceeds from refinancing, refunding or restructuring the Junior Lien Bonds, the Junior Lien Bonds will be discharged and the bondholders will have no recourse against the District.

Per the 2018 Financial Forecast included with the Junior Lien Bond Offering document, repayments on the Junior Lien Bonds were projected to total \$12,469,343 through 2050, which equates to an annual net effective interest rate of 20.9%.

## Debt Authorization

### Debt Authorization – Service Plan

The District’s second amendment to its Amended and Restated Service Plan, which was approved by the City of Thornton on May 09, 2017, authorizes the District to issue up to \$15 million in debt over a term not to exceed 40 years. The repayment of the District’s debt can exceed 40 years if the majority of the District’s Board are residents of the District and the District’s Board has voted in favor of refunding a part or all of the District’s debt (which must result in a net present value savings).

The District’s second amendment to its Amended and Restated Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District’s total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2004. As of January 1, 2004, the ratio was 7.96%. The ratio for 2019 was 7.20%, which caused the District’s Maximum Mill Levy for debt service for 2019 to be 55.278.

As of December 31, 2020, total remaining debt issuance authorization under the District’s second Amended and Restated Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	\$ 15,000,000
Less:	
2018A Senior Bonds	( 10,555,000)
2018B Subordinate Bonds	( 1,015,000)
2018C Junior Lien Bonds	( 1,614,000)

These notes are an integral part of the accompanying financial statements.

**Debt Authorization – TABOR**

On November 1, 2005, the District's authorized the issuance of indebtedness in an amount not to exceed \$5,100,000 for infrastructure improvements and operations at an interest rate not to exceed 18% and \$5,000,000 for refunding the District's debt.

On November 4, 2014, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$30,000,000 for infrastructure improvements and operations at an interest rate not to exceed 18% and \$6,000,000 for refunding the District's debt.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

	<b>Authorized Nov. 2005 Election</b>	<b>Authorized Nov. 2014 Election</b>	<b>Total Voter- Authorized Debt</b>	<b>2018 Bonds</b>	<b>Remaining Authorization</b>
Street improvements	\$ -	\$ 6,000,000	\$ 6,000,000	\$ 5,240,698	\$ 759,302
Park and recreational facilities	-	6,000,000	6,000,000	1,360,819	4,639,181
Storm drainage & sewer facilities	-	6,000,000	6,000,000	1,390,184	4,609,816
Water supply facilities	-	6,000,000	6,000,000	2,014,226	3,985,774
Sewer facilities	5,000,000	-	5,000,000	3,178,073	1,821,927
Operations and maintenance	100,000	6,000,000	6,100,000	-	6,100,000
<b>Subtotal</b>	<b>5,100,000</b>	<b>30,000,000</b>	<b>35,100,000</b>	<b>13,184,000</b>	<b>21,916,000</b>
Refunding of debt	5,000,000	6,000,000	11,000,000	-	11,000,000
<b>Total</b>	<b><u>\$ 10,100,000</u></b>	<b><u>\$ 36,000,000</u></b>	<b><u>\$ 46,100,000</u></b>	<b><u>\$13,184,000</u></b>	<b><u>\$ 32,916,000</u></b>

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire as follows:

- \$1,921,927 will expire in November 2025 - 20 years after the original debt authorization election.
- \$19,994,073 will expire in November 2034 - 20 years after the original debt authorization election.
- Debt refunding authorization will expire when the District's current general obligation debt is paid down to a balance of \$400,000 or less

**NOTE 6 – CONTINGENT OBLIGATIONS**

The District has entered into two contingent obligation agreements with the Developer (as defined in Note 9). The District has neither registered nor filed a notice of claim of exemption regarding these contingent obligation agreements with the Colorado Securities Commissioner ("Commissioner"). Interpretative Order No. 06-IN-001 issued by the Commissioner provides that neither a registration application nor notice of claim of exemption is required to be filed with the Commissioner for a contractual obligation to repay a developer for advanced funds if such obligation provides that it is not transferable. None of these contingent obligation agreements are transferrable to third parties. The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The following contingent obligations exist, but are not necessarily owing, as of December 31, 2020:

These notes are an integral part of the accompanying financial statements.

**Operations and Maintenance Cost Reimbursement Agreement.** On November 10, 2017, the District and the Developer entered into an Operation Reimbursement Agreement (OMCR Agreement) pursuant to which the Developer agreed to advance cash to the District to fund any District cash shortfalls that would prevent the District from funding its operating and maintenance costs. The District agreed to reimburse the Developer for such amounts, subject to annual appropriation by the District. The contingent obligation bears simple interest at 7% per annum. The OMCR Agreement may be terminated by either (1) mutual agreement of the District and the Developer or (2) the District’s repayment of all cash advances received from the Developer plus accrued interest.

For the 12-month period ended December 31, 2020, District payments made, advances received and interest accrued under the OMCR Agreement is as follows:

	Cash advances net of repayments	Accrued interest net of repayments	Total
Beginning Balance (Dec. 31, 2019)	\$ 124,552	\$ 11,052	\$ 135,604
Additional advances	22,000		22,000
Accrued interest		10,259	10,259
Payments to the Developer	-	-	-
<b>Ending Balance (Dec. 31, 2020)</b>	<b>\$ 146,552</b>	<b>\$ 21,311</b>	<b>\$ 167,863</b>

**Infrastructure Acquisition Agreement with Developer.** On November 10, 2017, the District entered into an agreement with the Developer to fund public infrastructure identified in the District’s Service Plan that is constructed by the Developer (IA Agreement). The costs submitted by the Developer to the District for reimbursement must be supported by either (1) evidence of a public bid process for work performed or (2) certification of such costs by an independent, professional engineer licensed in the State of Colorado.

The IA Agreement indicates the Developer shall convey the public infrastructure and related work to the District by means of a bill of sale or shall convey the public infrastructure at the request of the District to other parties for the benefit of the District. However, the Developer is also party to the Developer’s Agreement for Holly Hills Estates Filing No. 1, Amendment No 1 (dated April 24, 2014 and all subsequent amendments thereto) with the City to construct public infrastructure within the District (the “Developer Agreement w City”). Per the Developer Agreement w City, the Developer agreed to convey directly to the City all public infrastructure constructed by the Developer and agreed to provide the City with a warranty covering all such public infrastructure in the form of cash, cashiers check, irrevocable letter of credit, assignment of funds or warranty bonds.

Per the Developer Agreement with the City of Thornton dated April 24, 2014, as amended on May 10, 2017, the Developer’s budget for installing all public infrastructure within the District is as follows:

Construction Phase	Developer’s Budgeted Cost
Phase 1	\$ 4,401,352
Phase 2	4,927,976
Phase 3	3,741,477
Phase 4	1,885,488
<b>Total</b>	<b>\$ 14,956,293</b>

These notes are an integral part of the accompanying financial statements.

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Funding paid to the Developer under IA Agreement is as follows:

	Public Infrastructure costs reported by Developer	Funding paid to Developer	Balance due to/(from) Developer under IA Agreement
Beginning balance (Jan. 01, 2019)	\$ 7,266,852	(\$ 7,266,852)	\$ -
Additional certified Developer costs	1,925,215		-
Payments to the Developer		( 2,238,513)	-
<b>Ending balance (Dec. 31, 2020)</b>	<b>\$ 9,192,067</b>	<b>(\$ 9,505,365)</b>	<b>(\$ 313,298)</b>

## NOTE 7 – NET POSITION (DEFICIT)

### Correction of Error

In 2018 and 2019, the District incorrectly accounted for payments to the Developer under the IA Agreement (See Note 6 for a description of the IA Agreement). When the District was under Developer control, the District and the Developer entered into five “purchase agreements” under the IA Agreement where the Developer agreed to sell the “in-process” public infrastructure constructed by the Developer to the District. However, the purchase agreements also acknowledge the Developer will convey such public infrastructure in its completed state to the City in compliance with the Developer Agreement w City. Because the Developer retained the right to convey the “sold” public infrastructure to the City and the Developer (not the District) was obligated to warranty the public infrastructure to the City, such public infrastructure did not meet the criteria of an asset held by the District.

The District did acquire various improvements constructed by the Developer on the 8.69-acre park owned by the District in 2019 and such assets were incorrectly classified as construction in process assets. The District assigned a value of \$449,300 to these depreciable improvements owned by the District.

The effect of this treatment on the District’s net position as follows:

Net deficit - December 31, 2019, as originally stated	(\$ 2,107,621)
Elimination of construction in progress assets not owned by the District	( 7,258,162)
Addition of depreciable assets acquired by the District	449,300
<b>Net deficit - December 31, 2019, as restated</b>	<b>(\$ 8,916,483)</b>

### Non-Spendable Net Position

The District’s non-spendable net position as of December 31, 2020 in the general fund, debt service fund and capital project fund totaled \$5,941, \$0, and \$0, respectively.

### Restricted Net Position

The District’s restricted net position as of December 31, 2020 in the general fund, debt service fund and capital projects fund totaled \$4,500, \$1,556,734 and \$0, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 11 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2018 Bonds. The restricted net

These notes are an integral part of the accompanying financial statements.

position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure.

### **Unassigned Net Position**

The District's unassigned net position as of December 31, 2020 totaled (\$13,322,293). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Thornton and the District.

### **NOTE 8 – EQUALIZATION FUNDING FEES**

On November 30, 2020, the Board adopted a resolution establishing a one-time fee to be assessed on all Lots at the time a certificate of occupancy is issued. The purpose of the fee is to (1) address current and future projected funding shortfalls in the District's general fund related to the management and operation of fully developed assets (e.g. 8.7-acre park) designed to service a fully-built out District at a time when the District is not fully built out and (2) equalize the cost burden across all Lots from receiving park and recreation services provided by the District. The District further noted the park is directly used by residents and the park is used by the Developer to market and sell its undeveloped lots. Finally, the District noted the District, while under Developer control, desired to develop the park prior to developing the home lots to generate sufficient property tax revenue to support the on-going maintenance of such park facilities. The Fee was established at \$1,300 per Lot and applicable to all Lots for which no certificate of occupancy had been issued as of December 04, 2020.

As of December 04, 2020, certificates of occupancy had not yet been issued on 263 of the 363 Lots within the District.

See Subsequent Events Note regarding the change in the Fee amount.

### **NOTE 9 – RELATED PARTIES**

All undeveloped land located within the District's boundaries is owned and developed by Toll Southwest, LLC (the Developer), a wholly owned subsidiary of Toll Brothers, Inc.

For the 5-month period through May 05, 2020, the District's board was comprised of three directors – all of whom were employees of the Developer. To qualify themselves to serve as directors on the District's board, all three directors relied on land purchase contracts they entered into with the Developer in November 2017. In April 2019, the Developer and the three directors amended their respective land sales/purchase contracts. Per the amended sales/purchase contracts, the Developer contracted with each director to sell a 1/6<sup>th</sup> interest in lot 20A, Block 10 in the Holly Hills Subdivision (Lot) for \$1,000. As of December 31, 2020, the assessed value of the Lot per the Adams County Assessor was \$79,981.

Between 2018 and May 2020, the District's three directors approved the IA Agreement between the District and the Developer under which the directors approved payments to the Developer totaling \$9,505,365 in cash and Junior Lien Bonds to fund public infrastructure constructed by the Developer. The Developer is the owner of the District's Junior Lien Bonds (which were approved by the District's three directors), which carries a projected net effective interest rate of 20.9% per annum (see Note 5).

On May 5, 2020, three directors were elected to the 5-member Board who reported no conflicts of interest or relationships with the Developer. On November 25, 2020, the two directors employed by the Developer resigned from the Board.

These notes are an integral part of the accompanying financial statements.

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## **NOTE 10 – RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

## **NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS**

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

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

On November 4, 2014, District voters authorized the District to assess property taxes at no more than \$1,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses. Additionally, the District voters approved a revenue change to allow the District to retain and spend all revenue, other than ad valorem taxes, in excess of TABOR spending, revenue raising or other limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

## **NOTE 12 – SUBSEQUENT EVENTS**

On June 16, 2021, the Board adopted a resolution changing the Equalization Funding Fee from \$1,300 to \$1,075. The revised Fee is retroactively effective as of December 04, 2020 – the date the original Fee was applied to all Lots for which no certificate of occupancy had yet been issued.

These notes are an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

NORTH HOLLY METROPOLITAN DISTRICT  
**DEBT SERVICE FUND –**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
12-Month Period Ended December 31, 2020

	Original Budget	Amended Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>				
Property taxes	\$ 225,667	\$ 225,667	\$ 225,666	(\$ 1)
Specific ownership taxes	18,053	18,053	16,561	( 1,492)
Net investment income	23,610	23,610	9,023	( 14,587)
<b>Total revenues</b>	<b>267,330</b>	<b>267,330</b>	<b>251,250</b>	<b>( 16,080)</b>
<b>EXPENDITURES</b>				
Direct and indirect collection fees	9,475	35,000	34,980	20
<b>Debt service</b>				
Bond interest – 2018A Series Bonds	580,525	580,525	580,525	-
<b>Total expenditures</b>	<b>590,000</b>	<b>615,525</b>	<b>615,505</b>	<b>20</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>( 322,670)</b>	<b>( 348,195)</b>	<b>( 364,255)</b>	<b>( 16,060)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>( 322,670)</b>	<b>( 348,195)</b>	<b>( 364,255)</b>	<b>( 16,060)</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>1,939,331</b>	<b>1,939,331</b>	<b>1,920,989</b>	<b>( 18,342)</b>
<b>FUND BALANCE – END OF YEAR</b>	<b>\$1,616,661</b>	<b>\$1,591,136</b>	<b>\$1,556,734</b>	<b>(\$ 34,402)</b>

NORTH HOLLY METROPOLITAN DISTRICT  
**CAPITAL PROJECTS FUND –**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – BUDGET AND ACTUAL**  
12-Month Period Ended December 31, 2020

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
<b>REVENUES</b>			
Net investment income	\$ 10,352	\$ 3,242	(\$ 7,110)
Developer advance	2,228,838	-	( 2,228,838)
<b>Total revenues</b>	<u>2,239,190</u>	<u>3,242</u>	<u>( 2,235,948)</u>
<b>EXPENDITURES</b>			
Engineering and other	15,000	13,164	1,836
<b>Capital projects</b>			
Major capital projects	4,467,676	2,238,514	2,229,162
<b>Total expenditures</b>	<u>4,482,676</u>	<u>2,251,678</u>	<u>2,230,998</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,243,486)</u>	<u>(2,248,436)</u>	<u>( 4,950)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	5,557	5,557
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>5,557</u>	<u>5,557</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,243,486)</u>	<u>( 2,242,879)</u>	<u>607</u>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>2,243,486</u>	<u>2,242,879</u>	<u>( 607)</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTH HOLLY METROPOLITAN DISTRICT**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
December 31, 2020

The District's repayment schedule for its Series 2018A general obligation bonds is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2021	\$ -	\$ 580,525	5.50%	\$ 580,525
2022	-	580,525	5.50%	580,525
2023	-	580,525	5.50%	580,525
2024	-	580,525	5.50%	580,525
2025	35,000	580,525	5.50%	615,525
2026	115,000	578,600	5.50%	693,600
2027	165,000	572,275	5.50%	737,275
2028	185,000	563,200	5.50%	748,200
2029	195,000	553,025	5.50%	748,025
2030	225,000	542,300	5.50%	767,300
2031	235,000	529,925	5.50%	764,925
2032	265,000	517,000	5.50%	782,000
2033	280,000	502,425	5.50%	782,425
2034	310,000	487,025	5.50%	797,025
2035	325,000	469,975	5.50%	794,975
2036	360,000	452,100	5.50%	812,100
2037	380,000	432,300	5.50%	812,300
2038	415,000	411,400	5.50%	826,400
2039	440,000	388,575	5.50%	828,575
2040	480,000	364,375	5.50%	844,375
2041	510,000	337,975	5.50%	847,975
2042	555,000	309,925	5.50%	864,925
2043	585,000	279,400	5.50%	864,400
2044	635,000	247,225	5.50%	882,225
2045	665,000	212,300	5.50%	877,300
2046	720,000	175,725	5.50%	895,725
2047	760,000	136,125	5.50%	896,125
2048	1,715,000	94,325	5.50%	1,809,325
	<b>\$ 10,555,000</b>	<b>\$ 12,060,125</b>		<b>\$ 22,615,125</b>

The original face value of these bonds totaled \$10,555,000. Interest is payable each year on June 1<sup>st</sup> and December 1<sup>st</sup>, and principal payments are due each year on December 1<sup>st</sup>.

No debt-to-maturity schedule is provided for the Series 2018B Subordinate Bonds and the Series 2018C Junior Bonds because such obligations are payable from subordinate pledged revenue, if and when such revenue is available to repay these bonds.

NORTH HOLLY METROPOLITAN DISTRICT  
**SUMMARY OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED**  
December 31, 2020

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2017	\$ 21,810	50.000	-	\$ 490	\$ 490	100.0%
2018	118,650	55.277	-	5,540	5,540	100.0%
2019	94,640	11.055	55.277	6,278	6,278	100.0%
2020	4,054,160	11.132	55.663	270,798	270,797	100.0%
2021	5,307,760	15.981	55.663	380,200	[TBD]	[TBD]

**NOTE A:** Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

## OTHER SUPPLEMENTARY INFORMATION

NORTH HOLLY METROPOLITAN DISTRICT  
**CHANGE IN TOTAL OVERLAPPING MILL LEVY**  
 December 31, 2020

	2019 Mill Levy **	2020 Mill Levy *	Change
North Holly Metropolitan District	66.795	71.644	4.849
Brighton School District No. 27J	48.810	48.745	( 0.065)
Adams County	26.917	26.897	( 0.020)
City of Thornton	10.210	10.210	-
Rangeview Library District	3.677	3.367	( 0.310)
Urban Drainage and Flood Control	0.900	0.900	-
Urban Drainage and Flood Control – South Platte	0.097	0.100	0.003
<b>Total Mill Levy</b>	<b>157.406</b>	<b>162.166</b>	<b>4.760</b>

\* -- For property tax collections in 2021

\*\* -- For property tax collections in 2020

NORTH HOLLY METROPOLITAN DISTRICT  
**HISTORICAL DEBT RATIOS**  
 December 31, 2020

	2016		2017		2018		2019		2020	
<b>General Obligation Bonds</b>	\$	-	\$	-	\$	13,184,000	\$	13,184,000	\$	13,184,000
<b>Accrued, unpaid interest - Bonds</b>	\$	-	\$	-	\$	139,547	\$	355,848	\$	596,438
<b>Other TABOR debt</b>	\$	-	\$	-	\$	-	\$	-	\$	-
<b>Combined assessed property values within the District</b>	\$	21,810	\$	118,650	\$	94,640	\$	4,054,160	\$	5,307,760
<b>Ratio of debt to assessed property values</b>		N/A		N/A		14,078%		334%		260%