

**HUNTERS OVERLOOK METROPOLITAN
DISTRICT NO. 5
Weld County, Colorado**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hunters Overlook Metropolitan District No. 5
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Hunters Overlook Metropolitan District No. 5 (the 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 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 from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hunters Overlook Metropolitan District No. 5, as of December 31, 2020, and the respective changes in financial position thereof, 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 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 the 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental and other information (together, the information) as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst & Young Perich, LLC

Greenwood Village, Colorado
September 28, 2021

BASIC FINANCIAL STATEMENTS

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
STATEMENT OF NET POSITION
December 31, 2020

	Governmental Activities
ASSETS	
Cash and investments - restricted	\$ 1,472,593
Property taxes receivable	42,164
Due from other entities	24,266
Total assets	1,539,023
LIABILITIES	
Due to other entities	7,000
Accrued interest payable on bonds	78,292
Non-current liabilities:	
Due in more than one year	25,790,455
Total liabilities	25,875,747
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	42,164
Total deferred inflows of resources	42,164
NET POSITION	
Restricted for:	
Debt service	1,411,567
Unrestricted	(25,790,455)
Total net position	\$ (24,378,888)

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 2,479,060	\$ -	\$ -	\$ -	\$ (2,479,060)
Interest and expenses on long-term debt	1,364,287	-	-	-	(1,364,287)
	<u>\$ 3,843,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,843,347)</u>
General revenues:					
Property taxes					1,945
Specific ownership taxes					93
Interest					14,321
IGA revenue					639,138
Total general revenue					<u>655,497</u>
Change in net position					<u>(3,187,850)</u>
Net position - beginning					<u>(21,191,038)</u>
Net position - ending					<u>\$ (24,378,888)</u>

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - restricted	\$ -	\$ 1,472,593	\$ 1,472,593
Property taxes receivable	7,028	35,136	42,164
Due from other entities	-	24,266	24,266
Total assets	7,028	1,531,995	1,539,023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Due to other entities	-	7,000	7,000
Total liabilities	-	7,000	7,000
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	7,028	35,136	42,164
Total deferred inflows of resources	7,028	35,136	42,164
FUND BALANCES			
Restricted for:			
Debt service	-	1,489,859	1,489,859
Total fund balances	-	1,489,859	1,489,859
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,028	\$ 1,531,995	

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

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

Bond payable	(24,267,000)
Bond premium	(1,168,383)
Accrued interest on bonds payable	(433,364)
Net position of governmental activities	\$(24,378,888)

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

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUE			
Property tax	\$ 324	\$ 1,621	\$ 1,945
Specific ownership tax	16	77	93
IGA revenue	-	639,138	639,138
Interest	-	14,321	14,321
Total Revenue	<u>340</u>	<u>655,157</u>	<u>655,497</u>
EXPENDITURES			
General			
County Treasurer Fees	5	24	29
Transfer to District No. 1	335	-	335
Debt Service			
Paying agent fees	-	8,064	8,064
Bond interest - 2019A	-	939,500	939,500
Bond interest - 2019B	-	148,293	148,293
Total Expenditures	<u>340</u>	<u>1,095,881</u>	<u>1,096,221</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(440,724)</u>	<u>(440,724)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	-	(2,470,632)	(2,470,632)
Total other financing sources	<u>-</u>	<u>(2,470,632)</u>	<u>(2,470,632)</u>
NET CHANGE IN FUND BALANCE	-	(2,911,356)	(2,911,356)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>4,401,215</u>	<u>4,401,215</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,489,859</u>	<u>\$ 1,489,859</u>

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

**HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

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

Net change in fund balance - Total governmental funds	\$ (2,911,356)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Amortization of bond premium	40,758
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Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on bonds payable	<u>(317,252)</u>
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Change in net position of governmental activities	<u><u>\$ (3,187,850)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2020

	<u>Budgeted Amount Original & Final</u>	<u>YTD Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Property tax	\$ 324	\$ 324	\$ -
Specific ownership tax	-	16	16
Interest	50	-	(50)
Total revenue	<u>374</u>	<u>340</u>	<u>(34)</u>
EXPENDITURES			
County treasurer fees	6	5	1
Contingency/miscellaneous	50	-	50
Total expenditures	<u>56</u>	<u>5</u>	<u>51</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>318</u>	<u>335</u>	<u>17</u>
OTHER FINANCING SOURCES (USES)			
Transfer to Hunters Overlook Metropolitan District No. 1 - Operations	(318)	(335)	(17)
Total other financing sources (uses)	<u>(318)</u>	<u>(335)</u>	<u>(17)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

1. DEFINITION OF REPORTING ENTITY

Hunters Overlook Metropolitan District No. 5 (the "District") is a quasi-municipal political subdivision of the State of Colorado organized on November 14, 2017 concurrently with seven other Districts. Hunters Overlook District Nos. 1-8 ("the Districts") were organized to provide for the construction and financing of street, safety control, non-potable water and landscaping improvements. The Districts' service area is located entirely within the Town of Severance in Weld County, Colorado, commonly known as "Overlook". District No. 1 is the "Coordinating District" and expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2-8, as "Financing Districts", are expected to contain residential development, include future development and provide revenue to support the Districts' activities. As such, the District obtained financing for reimbursing and acquiring public improvement projects. District Nos. 2 – 4 and 6 – 8 ("Taxing Districts") are responsible for providing the funding and tax base needed to support the Coordinating District and service debt. The revenues from property taxes levied by the Taxing Districts are pledged to District No. 1 for operations and District No. 5 for debt service.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements — The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Eliminations have been made to minimize the double counting of internal activities. These statements include all of the activities of the District. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of net position reports all of the financial and capital resources of the District. The difference between the assets and the liabilities and deferred inflows of resources is reported as net position.

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

The statement of activities demonstrates the degree to which 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) fees and 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. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Separate financials are provided for governmental funds.

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 the related cash flow.

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 period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes and are recognized as revenue by the District. All other revenue items, including developer advances, are considered to be measurable and available only when cash is received by the District.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following major governmental funds:

General Fund – The General Fund is the government's general operating fund. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on the long-term general obligation debt.

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

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

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

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.

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

Cash and Investments — The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. The District's investments are reported at net asset value (NAV).

The use of certain cash and investments of the District is restricted. These cash and investment items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

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.

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

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

Restricted – The portion of fund balance constrained to being used for a specific purpose by

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned – 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 – The residual portion of fund balance that does not meet any of the above criteria.

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

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

3. CASH AND INVESTMENTS

The District’s cash and investments are classified in the accompanying financial statements as follows as of December 31, 2020:

Statement of net position:	
Cash and investments-restricted	<u>\$1,472,593</u>
Total cash and investments	<u>\$1,472,593</u>

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

Investments - COLOTRUST	<u>\$1,472,593</u>
Total cash and investments	<u>\$1,472,593</u>

Deposits with financial institutions — The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. As of December 31, 2020, the federal insurance limit was \$250,000. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District had no cash deposits as of December 31, 2020.

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

The District generally limits its investments to those which are believed to have 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 credit risk 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 and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools
- Certain certificates of participation
- Certain securities lending agreements

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 1,472,593

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor’s. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

4. LONG-TERM LIABILITIES

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019		Additions	Reductions	Balance at December 31, 2020		Due Within One Year
Limited tax general obligation bonds -							
Series 2019A	\$ 18,790,000	\$ -	\$ -	\$ -	\$ 18,790,000	\$ -	-
Series 2019B	5,477,000	-	-	-	5,477,000	-	-
Bond issuance premium	1,209,141	-	40,758	1,168,383	-	-	-
Subordinate bond accrued interest	37,820	465,545	148,293	355,072	-	-	-
	<u>\$ 25,513,961</u>	<u>\$ 465,545</u>	<u>\$ 189,051</u>	<u>\$ 25,790,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

\$18,790,000 Senior Limited Tax General Obligation Bonds, Series 2019A — On August 21, 2019, the District issued \$18,790,000 in senior limited tax general obligation bonds. The 2020A bonds bear an interest rate of 5%. Interest payments are due semiannually June 1 and December 1 commencing on December 1, 2019. \$7,210,000 of the bonds mature on December 1, 2039. These bonds are subject to mandatory sinking fund redemption beginning on December 1, 2022 and each December 1 thereafter. \$11,580,000 of the bonds mature on December 1, 2049. These bonds are subject to mandatory sinking fund redemption beginning on December 1, 2040 and each December 1 thereafter. The bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2024 with premium rates ranging from 0-3%.

The bonds constitute limited tax general obligations of the District payable from Pledged Revenue. Pledged revenue includes all Senior Property Tax Revenues, all Senior Specific Ownership Tax Revenues, and any other legally available moneys which District No. 5 determines, in its absolute discretion to credit to the Senior Bond Fund.

In order to support payment of the Series 2019A Senior Bonds, the District, the bond issuer and the Taxing Districts, entered into a Senior Capital Pledge Agreement which obligates the Taxing Districts to levy ad valorem property taxes and to pay such taxes and specific ownership taxes to the Senior Indenture Trustee. The senior required mill levy constitutes a mill levy imposed by all of the Taxing Districts sufficient to pay principal and interest on the Series 2019A Senior Bonds as they become due but not in excess of 50 mills increased or decreased so that the actual tax revenues generated by the mill levy are neither diminished or enhanced as a result of changes in the ratio of actual valuation to assessed valuation.

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

\$5,477,000 Subordinate Limited Tax General Obligation Bonds, Series 2019B — On August 21, 2019, the District issued \$5,477,000 in subordinate limited tax general obligation bonds. The 2019B bonds bear an interest rate of 8.5%. Interest payments are due annually on December 15 commencing on December 15, 2019. The bonds mature on December 15, 2049.

The bonds constitute limited tax general obligations of the District payable from Subordinate Pledged Revenue. Subordinate pledged revenue means all money derived from imposition by the Taxing Districts of the Subordinate Required Mill Levy. The Subordinated pledged revenue includes all property tax collected by the District.

In order to support payment of the Series 2019B Subordinate Bonds, the District, the bond issuer, the Taxing Districts, and the Subordinate Indenture Trustee entered into a Subordinate Capital Pledge Agreement which obligates the Taxing Districts to levy ad valorem property taxes and to pay such taxes and specific ownership taxes to the Subordinate Indenture Trustee. The subordinate required mill levy constitutes a mill levy imposed by all of the Taxing Districts in an amount equal to 50 mills less the then-applicable Senior Obligation Mill Levy increased or decreased so that the actual tax revenues generated by the mill levy are neither diminished or enhanced as a result of changes in the ratio of actual valuation to assessed valuation.

The senior long term debt will mature as follows:

	Series 2019A		
	Li mited Tax General Obligation Bonds		
	Principal	Interest	Total
2021	\$ -	\$ 939,500	\$ 939,500
2022	180,000	939,500	1,119,500
2023	185,000	930,500	1,115,500
2024	220,000	921,250	1,141,250
2025	230,000	910,250	1,140,250
2026-2030	1,555,000	4,351,500	5,906,500
2031-2035	2,300,000	3,892,000	6,192,000
2036-2040	3,295,000	3,222,500	6,517,500
2041-2045	4,560,000	2,279,000	6,839,000
2046-2049	6,265,000	909,000	7,174,000
	<u>\$ 18,790,000</u>	<u>\$ 19,295,000</u>	<u>\$ 38,085,000</u>

Because of the uncertainty of the timing of the principal and interest payment of the Series 2019B Bonds, no schedule of principal and interest payments is presented.

5. DEBT AUTHORIZATION

On November 7, 2017, the electors of the Districts, collectively, authorized the issuance of indebtedness in an amount not to exceed \$468,583,820 for improvements, \$46,858,382 for operations and maintenance, and \$93,716,764 for refunding, refinancing or defeasing district debt

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

and other fiscal obligations. Pursuant to the Service Plan, the District is permitted to issue indebtedness of up to \$46,858,382. As of December 31, 2020, the Districts had \$22,591,382 remaining authority under the Service Plan.

6. AGREEMENTS

Intergovernmental Agreement — On November 16, 2017, the Districts entered into an Intergovernmental Agreement (the “IGA”) in order to implement the Service Plan. According to the Service Plan, District No. 1 is the coordinating district and is expected to coordinate the financing, construction and maintenance of all public improvements. District Nos. 2 through 8 are financing districts and contain residential development. The financing districts are expected to include development and provide revenue to support the Districts’ activities. The IGA provides that District No. 1 shall be the owner and operator of district owned improvements and may provide for the funding of construction, operation or maintenance of the public improvements through further and future indebtedness. District Nos. 2-8 shall impose and collect any property taxes, remit the proceeds of any indebtedness, taxes or otherwise provide for the funding of the construction, operation or maintenance of the public improvements. The IGA stipulates the obligations and limitations of District No. 1 as the “operator” of the public improvements.

The IGA also engages District No. 1 as the “district administrator” for all the Districts. District administration includes preparation of annual budgets, engagement of legal counsel and other consultants and statutory compliance measures.

Advance and Reimbursement Agreement — On November 16, 2017, the Districts, collectively, entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$46,858,382 in installments available to the Districts through December 1, 2018. The funds advanced under the agreement shall be applied to capital costs of the Districts as established in the Districts’ annual budgets. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

Under the terms of the agreement, on November 16, 2017 the Districts executed a Revenue and Limited Tax Obligation Subordinate Promissory Note of up to \$46,858,382 registered to the Developer. The note bears an interest rate of 2% plus the current Federal Reserve Board prime rate and matures on November 16, 2018. During 2020, the note was renewed according to the terms of the agreement.

Funding and Reimbursement Agreement — On November 16, 2017, the Districts, collectively, entered into an Advance and Reimbursement Agreement with Severance Overlook Investments, LLC (the “Developer”). Under the terms of the agreement, the Developer agreed to advance to the Districts amounts not to exceed \$500,000. The funds advanced under the agreement shall be applied to costs associated with formation, administration, operations and maintenance of public facilities and for other budgeted general fund expenditures during the term of the Agreement. The term of the agreement is annually renewable for one year terms to be considered at the time of the budget approval of the Districts. Upon request of the Developer, the Districts agreed to issue Promissory Notes to evidence the repayment obligation of the existing loan advances. Amounts advanced under the terms of the agreement shall bear an interest rate of 2% plus the current Federal Reserve board prime rate.

Under the terms of the agreement, on November 16, 2017 the District Nos. 1-8 executed a Revenue

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

and Limited Tax Obligation Promissory Note of up to \$500,000 registered to the Developer. The note bears an interest rate of 2% plus the current Federal Reserve Board prime rate and matures on November 16, 2018. During 2020, the note was renewed according to the terms of the agreement.

Improvement Acquisition Agreement — On November 16, 2017, the Districts, collectively, entered into an Improvement Acquisition Agreement with Severance Overlook Investments, LLC (the “Developer”). The Developer has designed and constructed certain improvements on behalf of the District. Pursuant to the agreement, the Districts agreed to acquire from the Developer completed improvements or improvements under construction and improvements constructed in the future. The purchase price shall be equal to the District’s costs. As of the date of the agreement, the Districts did not have funds available to pay for the acquisition of improvements. The Districts agreed to acquire the improvements from bond proceeds and subordinate obligations issued to the Developer.

Pledge Agreements – On August 12, 2019, District Nos. 2, 3, 4, 5 and 6 (“Taxing Districts”) entered into a Senior Capital Pledge Agreement with the Senior Indenture trustee to support the payment of the Series 2019A Senior Bonds, and a Subordinate Capital Pledge Agreement with the Subordinate Indenture trustee to support the payment of the Series 2019B Subordinate Bonds. See Note 4 for additional information on the bonds.

7. NET POSITION

The District’s net position includes two components: restricted and unrestricted.

Restricted assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Net position includes:

<u>Restricted:</u>	
Debt service	\$ 1,411,567
Total restricted net position	<u>\$ 1,411,567</u>

Unrestricted net position consists of the net amount of assets, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District utilizes unrestricted net position before using restricted net position. As of December 31, 2020, the District had unrestricted net position of (\$25,790,455). This deficit is primarily due to the effects of the District’s bond indebtedness, which remain an obligation of the District. The proceeds were used to reimburse the developer for the construction of capital assets that were conveyed to other governmental entities.

8. RELATED PARTY

The Developer of the property which constitutes the District is Severance Overlook Investments LLC. The members of the Board of Directors are employees, owners or are otherwise associated with the Developer and its affiliates and may have conflicts of interest dealing with the District.

HUNTERS OVERLOOK DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS (continued)

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020, under Hunters Overlook Metropolitan District No. 1. The Pool is an organization created by an intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation insurance to its members.

District No. 1 pays annual premiums to the Pool for liability 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.

10. 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.

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. All revenues of the District are transferred to District No. 1 pursuant to the IGA; therefore, District No. 1 has established the Emergency Reserves for all Districts within the project.

On November 7, 2017, a majority of District electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District for 2017 and any year thereafter, without regard to limitations under TABOR.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

11. SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2021, the date which the financial statements were issued.

This information is an integral part of the accompanying financial statement

SUPPLEMENTAL INFORMATION

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2020

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>YTD Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Property tax	\$ 1,621	\$ 1,621	\$ 1,621	\$ -
Specific ownership tax	73	73	77	4
IGA revenue	653,550	653,550	639,138	(14,412)
Interest	50	16	14,321	14,305
Total Revenue	<u>655,294</u>	<u>655,260</u>	<u>655,157</u>	<u>(103)</u>
EXPENDITURES				
<u>General</u>				
County Treasurer Fees	24	24	24	-
<u>Debt Service</u>				
Paying agent fees	-	8,064	8,064	-
Bond interest - 2019A	939,500	939,500	939,500	-
Bond interest - 2019B	-	148,293	148,293	-
Total Expenditures	<u>939,524</u>	<u>1,095,881</u>	<u>1,095,881</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(284,230)</u>	<u>(440,621)</u>	<u>(440,724)</u>	<u>(103)</u>
OTHER FINANCING SOURCES (USES)				
Developer advance reimbursement	(2,451,828)	-	-	-
Transfer to Hunters Overlook Metropolitan District No. 1 - Dev Adv Reimb	-	(2,470,632)	(2,470,632)	-
Total other financing sources (uses)	<u>(2,451,828)</u>	<u>(2,470,632)</u>	<u>(2,470,632)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,736,058)	(2,911,253)	(2,911,356)	(103)
FUND BALANCE - BEGINNING OF YEAR	<u>4,521,385</u>	<u>4,401,215</u>	<u>4,401,215</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,785,327</u>	<u>\$ 1,489,962</u>	<u>\$ 1,489,859</u>	<u>\$ (103)</u>

OTHER INFORMATION

HUNTERS OVERLOOK METROPOLITAN DISTRICT NO. 5
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2020

\$18,790,000 Series 2019A
Limited Tax General Obligation Bonds
Dated August 21, 2019
Interest Rate of 5.00%
Payable on June 1 and December 1
Principal Due on December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 939,500	\$ 939,500
2022	180,000	939,500	1,119,500
2023	185,000	930,500	1,115,500
2024	220,000	921,250	1,141,250
2025	230,000	910,250	1,140,250
2026	265,000	898,750	1,163,750
2027	275,000	885,500	1,160,500
2028	315,000	871,750	1,186,750
2029	330,000	856,000	1,186,000
2030	370,000	839,500	1,209,500
2031	390,000	821,000	1,211,000
2032	430,000	801,500	1,231,500
2033	455,000	780,000	1,235,000
2034	500,000	757,250	1,257,250
2035	525,000	732,250	1,257,250
2036	580,000	706,000	1,286,000
2037	605,000	677,000	1,282,000
2038	660,000	646,750	1,306,750
2039	695,000	613,750	1,308,750
2040	755,000	579,000	1,334,000
2041	795,000	541,250	1,336,250
2042	860,000	501,500	1,361,500
2043	905,000	458,500	1,363,500
2044	975,000	413,250	1,388,250
2045	1,025,000	364,500	1,389,500
2046	1,105,000	313,250	1,418,250
2047	1,160,000	258,000	1,418,000
2048	1,245,000	200,000	1,445,000
2049	2,755,000	137,750	2,892,750
	<u>\$ 18,790,000</u>	<u>\$ 19,295,000</u>	<u>\$ 38,085,000</u>