

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**HOMESTEAD HILLS METROPOLITAN DISTRICT
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	24
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	25
OTHER INFORMATION	
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	27
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	28



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Homestead Hills Metropolitan District (the District) as of and for the year ended December 31, 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 Homestead Hills Metropolitan District, 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.

|

Fiscal Focus Partners, LLC

5555 DTC Parkway, Suite 375, Greenwood Village, CO 80111
303.202.1800 Office • 303.237.0155 Fax • www.ffpcpa.com

|

Other Matters

Economic dependency

As disclosed in Note 10 to the financial statements, the District has not yet established a property tax base sufficient to pay the District's operational expenditures. Until a sufficient property tax base is established, the District will be dependent upon the developer of the District for funding of continued operations.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement 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 supplementary 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.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 24, 2021

BASIC FINANCIAL STATEMENTS

**HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 12,612
Cash and Investments - Restricted	488,713
Prepaid Expense	2,380
Receivable - County Treasurer	197
Property Taxes Receivable	186,032
Capital Assets, Not Being Depreciated	2,519,688
Capital Assets, Net	<u>666,003</u>
Total Assets	<u>3,875,625</u>
LIABILITIES	
Accounts Payable	25,384
Accrued Interest Payable	9,250
Unearned Maintenance Fees	2,460
Noncurrent Liabilities:	
Due Within One Year	4,988
Due in More Than One Year	<u>4,323,422</u>
Total Liabilities	<u>4,365,504</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>186,032</u>
Total Deferred Inflows of Resources	<u>186,032</u>
NET POSITION	
Restricted for:	
Emergency Reserves	1,000
Debt Service	248,735
Capital Projects	239,082
Unrestricted	<u>(1,164,728)</u>
Total Net Position	<u><u>\$ (675,911)</u></u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 150,556	\$ 12,536	\$ -	\$ -	\$ (138,020)
Interest and Related Costs on Long-Term Debt	502,311	-	-	-	(502,311)
Total Governmental Activities	\$ 652,867	\$ 12,536	\$ -	\$ -	(640,331)
GENERAL REVENUES					
Property Taxes					35,876
Specific Ownership Taxes					2,641
Interest Income					777
Total General Revenues					39,294
CHANGE IN NET POSITION					(601,037)
Net Position - Beginning of Year					(74,874)
NET POSITION - END OF YEAR					\$ (675,911)

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 12,612	\$ -	\$ -	\$ 12,612
Cash and Investments - Restricted	1,000	248,631	239,082	488,713
Prepaid Expense	2,380	-	-	2,380
Receivable - County Treasurer	93	104	-	197
Property Taxes Receivable	88,120	97,912	-	186,032
	<u>\$ 104,205</u>	<u>\$ 346,647</u>	<u>\$ 239,082</u>	<u>\$ 689,934</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 25,384	\$ -	\$ -	\$ 25,384
Unearned Maintenance Fees	2,460	-	-	2,460
Total Liabilities	<u>27,844</u>	<u>-</u>	<u>-</u>	<u>27,844</u>
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	88,120	97,912	-	186,032
Total Deferred Inflows of Resources	<u>88,120</u>	<u>97,912</u>	<u>-</u>	<u>186,032</u>
FUND BALANCES				
Nonspendable				
Prepaid Expenses	2,380	-	-	2,380
Restricted				
Emergency Reserve	1,000	-	-	1,000
Debt Service	-	248,735	-	248,735
Capital Projects	-	-	239,082	239,082
Unassigned	(15,139)	-	-	(15,139)
Total Fund Balances	<u>(11,759)</u>	<u>248,735</u>	<u>239,082</u>	<u>476,058</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 104,205</u>	<u>\$ 346,647</u>	<u>\$ 239,082</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,185,691
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not in the funds.	
Bonds Payable, Net of Premium	(3,049,952)
Developer Advance Payable	(1,169,270)
Interest Payable on Developer Advance	(62,503)
Interest Payable on Bonds - Series 2020A	(9,250)
Interest Payable on Bonds - Series 2020B	(46,685)
	(3,337,660)
Net Position of Governmental Activities	<u>\$ (675,911)</u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 16,994	\$ 18,882	\$ -	\$ 35,876
Specific Ownership Taxes	1,251	1,390	-	2,641
Operation Fees	12,536	-	-	12,536
Interest Income	2	431	344	777
Total Revenues	<u>30,783</u>	<u>20,703</u>	<u>344</u>	<u>51,830</u>
EXPENDITURES				
Current				
Accounting	21,887	-	-	21,887
Billing	9,200	-	-	9,200
Bond Issue Costs	-	-	309,007	309,007
County Treasurer's Fees	255	283	-	538
Dues and Licenses	346	-	-	346
Election Expense	1,783	-	-	1,783
Electricity	624	-	-	624
Engineering	-	-	7,538	7,538
Fertilization/Weed/Insect	1,250	-	-	1,250
Insurance and Bonds	2,375	-	-	2,375
Landscaping	16,972	-	-	16,972
Legal	21,919	-	-	21,919
District Management	11,875	-	-	11,875
Miscellaneous	1,482	-	-	1,482
Native Area Maintenance	172	-	-	172
Repairs and Maintenance	405	-	-	405
Snow Removal	19,401	-	-	19,401
Water	15,995	-	-	15,995
Debt Service				
Bond Interest	-	80,167	-	80,167
Capital Expenditures	-	-	3,202,768	3,202,768
Total Expenditures	<u>125,941</u>	<u>80,450</u>	<u>3,519,313</u>	<u>3,725,704</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,158)	(59,747)	(3,518,969)	(3,673,874)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from Other Funds	-	308,437	(308,437)	-
Developer Advances	81,750	-	3,202,768	3,284,518
Bond Premium	-	-	111,555	111,555
Bond Proceeds	-	-	2,942,000	2,942,000
Repay Developer Advance	-	-	(2,192,221)	(2,192,221)
Total Other Financing Sources (Uses)	<u>81,750</u>	<u>308,437</u>	<u>3,755,665</u>	<u>4,145,852</u>
NET CHANGE IN FUND BALANCES	(13,408)	248,690	236,696	471,978
Fund Balances - Beginning of Year	<u>1,649</u>	<u>45</u>	<u>2,386</u>	<u>4,080</u>
FUND BALANCES - END OF YEAR	<u>\$ (11,759)</u>	<u>\$ 248,735</u>	<u>\$ 239,082</u>	<u>\$ 476,058</u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Total Governmental Funds \$ 471,978

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

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 amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay	3,202,768
Depreciation	(17,077)

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

Bond Issuance	(2,942,000)
Bond Premium	(111,555)
Developer Advances	(3,284,518)
Repay Developer Advances	2,192,221

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

Accrued Bond Interest Payable - Change in Liability	(55,935)
Accrued Interest Payable - Developer Advances	(60,522)
Amortization of Bond Premium	3,603

Change in Net Position of Governmental Activities	\$ (601,037)
---	--------------

**HOMESTEAD HILLS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 17,043	\$ 17,043	\$ 16,994	\$ (49)
Specific Ownership Taxes	1,363	1,193	1,251	58
Operation Fees	32,365	10,005	12,536	2,531
Interest Income	153	5	2	(3)
Total Revenues	<u>50,924</u>	<u>28,246</u>	<u>30,783</u>	<u>2,537</u>
EXPENDITURES				
General and Administrative				
Accounting	15,000	18,500	21,887	(3,387)
County Treasurer's Fees	256	256	255	1
Dues and Licenses	300	346	346	-
Insurance and Bonds	2,444	2,375	2,375	-
Legal	32,000	30,000	21,919	8,081
Operations and Maintenance				
Accounting - Operations	3,000	1,500	-	1,500
Billing	3,000	10,000	9,200	800
Contingency	-	2,176	-	2,176
District Management	8,000	13,000	11,875	1,125
Detention Pond	500	-	-	-
Election Expense	2,000	1,783	1,783	-
Electricity	2,000	600	624	(24)
Legal - Operations	3,000	2,000	-	2,000
Miscellaneous	500	211	1,482	(1,271)
Native Area Maintenance	2,000	300	172	128
Repairs and Maintenance	-	-	405	(405)
Landscaping	-	15,453	16,972	(1,519)
Monument	5,000	-	-	-
Fertilization/Weed/Insect	4,000	1,500	1,250	250
Snow Removal	4,500	20,000	19,401	599
Water	10,000	12,500	15,995	(3,495)
Water - Native	1,000	-	-	-
Total Expenditures	<u>98,500</u>	<u>132,500</u>	<u>125,941</u>	<u>6,559</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(47,576)	(104,254)	(95,158)	9,096
OTHER FINANCING SOURCES (USES)				
Developer Advances	92,000	107,000	81,750	(25,250)
Total Other Financing Sources (Uses)	<u>92,000</u>	<u>107,000</u>	<u>81,750</u>	<u>(25,250)</u>
NET CHANGE IN FUND BALANCES	44,424	2,746	(13,408)	(16,154)
Fund Balances - Beginning of Year	<u>2,538</u>	<u>1,647</u>	<u>1,649</u>	<u>2</u>
FUND BALANCES - END OF YEAR	<u>\$ 46,962</u>	<u>\$ 4,393</u>	<u>\$ (11,759)</u>	<u>\$ (16,152)</u>

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 DEFINITION OF REPORTING ENTITY

Homestead Hills Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court for Adams County on May 23, 2018 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the City of Thornton on February 27, 2018. The District's service area is located entirely within the City of Thornton, Adams County, Colorado.

The District was established to provide financing for the construction, installation, and operation of public improvements, including streets and safety controls, water, storm and sanitary sewer, and park and recreation facilities, primarily for single family residential development within the District.

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The District reports the following major governmental funds:

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

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

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2020.

Pooled Cash

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

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

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and Recreation	15-50 Years
----------------------	-------------

Deferred Inflows of Resources

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

Equity

Net Position

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

Fund Balance

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

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

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

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

The District has a deficit in fund balance for the General Fund. This deficit amount will be eliminated with the receipt of Developer advances in 2021.

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	\$ 12,612
Cash and Investments - Restricted	488,713
Total Cash and Investments	\$ 501,325

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

Deposits with Financial Institutions	\$ 13,612
Investments	487,713
Total Cash and Investments	\$ 501,325

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance of \$18,767 and carrying balance of \$13,612.

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 which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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	<u>\$ 487,713</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust 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 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.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Street Intersection	\$ -	\$ 1,509,141	\$ -	\$ 1,509,141
Parks and Recreation	-	683,080	683,080	-
Water and Sanitation	-	1,010,547	-	1,010,547
Total Capital Assets, Not Being Depreciated	-	3,202,768	683,080	2,519,688
Capital Assets, Being Depreciated:				
Parks and Recreation	-	683,080	-	683,080
Total Capital Assets, Being Depreciated	-	683,080	-	683,080
Less Accumulated Depreciation for:				
Parks and Recreation	-	17,077	-	17,077
Total Accumulated Depreciation	-	17,077	-	17,077
Total Capital Assets, Being Depreciated, Net	-	666,003	-	666,003
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 3,868,771</u>	<u>\$ 683,080</u>	<u>\$ 3,185,691</u>

The District is responsible for the repayment of bonds issued to construct the aforementioned improvements. Consequently, a deficit balance is reflected on the District's statement of net position. Depreciation expense was charged to the General Government function of the District.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance - December 31, 2019	Additions	Retirements	Balance - December 31, 2020	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable:					
Series 2020A General Obligation	\$ -	\$ 2,220,000	\$ -	\$ 2,220,000	\$ -
Series 2020B General Obligation	-	722,000	-	722,000	-
Accrued Interest Series 2020B General Obligation	-	46,685	-	46,685	-
Notes from Direct Borrowings and Direct Placements:					
Developer Advance Operating	59,373	81,750	-	141,123	-
Developer Advance Capital	17,600	3,202,768	2,192,221	1,028,147	-
Accrued Interest - Developer Advance Operating	1,892	6,050	-	7,942	-
Accrued Interest - Developer Advance Capital	89	54,472	-	54,561	-
Total Bonds/Loan Payable	78,954	6,333,725	2,192,221	4,220,458	
Series 2020A Bond Premium	-	111,555	3,603	107,952	4,988
Total Long-Term Obligations	\$ 78,954	\$ 6,445,280	\$ 2,195,824	\$ 4,328,410	\$ 4,988

The details of the District's general obligation bonds outstanding during 2020 are as follows:

Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A (the Senior Bonds) and **Subordinate Limited Tax General Obligation Bonds, Series 2020B(3)** (the Subordinate Bonds, and together with the Senior Bonds, the Bonds)

Bond Proceeds

The District issued the Bonds on March 11, 2020, in the par amounts of \$2,220,000 for the Senior Bonds and \$722,000 for the Subordinate Bonds. Proceeds from the sale of the Bonds were used to finance or reimburse a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the development. A portion of the proceeds of the Senior Bonds were also used to fund: (a) the Reserve Fund, (b) capitalized interest on the Senior Bonds, and (c) costs of issuing the Bonds.

Senior Bonds Details

The Senior Bonds bear interest at 5.000% per annum (4.2427% yield) and are payable semiannually on June 1 and December 1, beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2023. The Senior Bonds mature on December 1, 2050.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Senior Bonds Details (Continued)

To the extent principal of any Senior Bonds is not paid when due, such principal shall remain outstanding until paid, subject to discharge of the Senior Bonds on December 1, 2059 (the Senior Bonds Discharge Date). To the extent interest on any Senior Bonds is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the Senior Bond.

In the event any amounts due on the Senior Bonds remain unpaid after the application of all Senior Pledged Revenue available on the Senior Bonds Discharge Date, such amounts shall be deemed discharged and shall no longer be due and outstanding, regardless of the amount of principal and interest paid prior to the Senior Bonds Discharge Date.

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
March 1, 2025, to February 28, 2026	3.00%
March 1, 2026, to February 28, 2027	2.00
March 1, 2027, to February 29, 2028	1.00
March 1, 2028, and thereafter	0.00

Senior Bonds Pledged Revenue

The Senior Bonds are secured by Senior Pledged Revenue which means: (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Capital Fees, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

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

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

“Capital Fees” means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District pledged to the payment of the Senior Bonds. Capital Fees does not include any fee imposed solely for the purpose of funding operations and maintenance expenses. The District does not presently impose Capital Fees and is not required to do so.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Senior Required Mill Levy

Prior to the Conversion Date, the District is required to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount necessary to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due (less any amount then on deposit in the Senior Bond Fund and, solely to the extent provided in the Senior Indenture, the Surplus Fund and the Reserve Fund, respectively) and to replenish the Reserve Fund to the Reserve Requirement, but not in excess of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2004).

For so long as the Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, the Senior Required Mill Levy is to be equal to 50 mills (subject to adjustment), or such lesser amount that will generate Senior Property Tax Revenues (A) sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due, to replenish the Reserve Fund to the Reserve Requirement, and to fully fund the Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund, the Surplus Fund, and the Reserve Fund, will pay the Senior Bonds in full in the year such levy is collected.

On and after the Conversion Date, an ad valorem mill levy is to be imposed upon all taxable property of the District each year in an amount necessary (without limitation as to rate) to generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Senior Bonds when due (less any amounts then on deposit in the Senior Bond Fund and, solely as provided in the Senior Indenture, the Reserve Fund) and to replenish the Reserve Fund to the Reserve Requirement. On and after the Conversion Date, the definition of "Senior Required Mill Levy" shall be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

The Conversion Date is the first date on which all of the following conditions are met: (a) the Debt to Assessed Ratio is 50% or less; (b) no amounts of principal or interest on the Senior Bonds are due but unpaid; and (c) the amount on deposit in the Reserve Fund is not less than the Reserve Requirement. Debt means the aggregate outstanding principal amount of the Senior Bonds, any Parity Bonds, the Subordinate Bonds, and any other obligation for which the District is obligated to impose ad valorem taxes and/or collect fee revenue.

Additional Security for Senior Bonds

The Senior Bonds are additionally secured by capitalized interest which was funded from proceeds of the Senior Bonds in the amount of \$135,667, by the Reserve Fund which was funded from proceeds of the Senior Bonds in the amount of the Reserve Requirement of \$170,750, and by amounts, if any, in the Surplus Fund.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Additional Security for Senior Bonds (Continued)

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$222,000. The Surplus Fund is to be maintained until the Conversion Date, at which time such fund will be terminated and all amounts on deposit are to be released to the District for application to any lawful purpose. Pursuant to the Subordinate Indenture, amounts released from the Surplus Fund are pledged to the repayment of the Subordinate Bonds. The balance in the Surplus Fund as of December 31, 2020, is \$17,860.

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 8.000% per annum and are payable annually on December 15, beginning December 15, 2020 from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2050. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

All of the Subordinate Bonds and interest thereon are to be deemed to be discharged after the application of all available Subordinate Pledged Revenue on December 15, 2059 (the "Subordinate Bonds Discharge Date"), regardless of the amount of principal and interest paid prior to the Subordinate Bonds Discharge Date.

Subordinate Bonds Optional Redemption

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on March 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
March 1, 2025, to February 28, 2026	3.00%
March 1, 2026, to February 28, 2027	2.00
March 1, 2027, to February 29, 2028	1.00
March 1, 2028, and thereafter	0.00

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by Subordinate Pledged Revenue which means: (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue, if any, (d) any amounts in the Surplus Fund upon the termination of such fund pursuant to the Senior Indenture; and (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Pledged Revenue (Continued)

“Subordinate Property Tax Revenues” means all moneys derived from imposition by the District of the Subordinate Required Mill Levy and excludes Subordinate Specific Ownership Tax Revenues. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County.

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

“Subordinate Capital Fee Revenue” means any revenue from Capital Fees remaining after deduction of any amount applied to the payment of any Senior Obligations.

Subordinate Required Mill Levy

The District is required to impose a Subordinate Required Mill Levy upon all taxable property in the District each year in an amount equal to (i) 50 mills (as adjusted) less the Senior Obligation Mill Levy, or (ii) such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Subordinate Bonds in full in the year such levy is collected. Senior Obligation Mill Levy means the sum of the Senior Required Mill Levy and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations.

Senior Bonds Debt Service

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

	Principal	Interest	Total
2021	\$ -	\$ 111,000	\$ 111,000
2022	-	111,000	111,000
2023	20,000	111,000	131,000
2024	20,000	110,000	130,000
2025	25,000	109,000	134,000
2026-2030	165,000	524,000	689,000
2031-2035	245,000	475,000	720,000
2036-2040	365,000	402,250	767,250
2041-2045	510,000	297,250	807,250
2046-2050	870,000	151,750	1,021,750
Total	<u>\$ 2,220,000</u>	<u>\$ 2,402,250</u>	<u>\$ 4,622,250</u>

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

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On May 8, 2018, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$96,250,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 8, 2018	Authorization Used for 2020 Bonds	Authorized But Unissued
Street Improvements	\$ 8,750,000	\$ 1,386,267	\$ 7,363,733
Parks and Recreation	8,750,000	627,464	8,122,536
Water Supply	8,750,000	580,428	8,169,572
Sanitary Sewer	8,750,000	347,841	8,402,159
Public Transportation	8,750,000	-	8,750,000
Mosquito Control	8,750,000	-	8,750,000
Safety Protection	8,750,000	-	8,750,000
Fire Protection	8,750,000	-	8,750,000
TV Relay and Translation	8,750,000	-	8,750,000
Security	8,750,000	-	8,750,000
Debt Refunding	8,750,000	-	8,750,000
Total	<u>\$ 96,250,000</u>	<u>\$ 2,942,000</u>	<u>\$ 93,308,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$8,750,000.

NOTE 6 AGREEMENTS

Funding and Reimbursement Agreement

On May 22, 2019, the District entered into a Funding and Reimbursement Agreement to repay advances made by the Developer for administration and operational costs. The District agreed to repay Carlson and KB Homes (Developers) for such costs plus accrued interest at the rate of 6.5% per annum. Developers obligation to advance funds to the District terminated on December 31, 2020. As of December 31, 2020, outstanding advances under the agreement totaled \$141,123 and accrued interest totaled \$7,942.

Amended and Restated Infrastructure Acquisition and Reimbursement Agreement

On February 18, 2020, the District amended and restated the Infrastructure Acquisition and Reimbursement Agreement to repay advances made by the Developer for infrastructure costs. The District agreed to repay the Carlson (Developer) for such certified capital advances plus accrued interest at the rate of 6.5% per annum. This agreement was terminated on March 10, 2020. As of December 31, 2020, outstanding capital advances under the agreement totaled \$1,028,147 and accrued interest totaled \$54,561.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 7 OPERATION FEE

Effective March 5, 2019, the District passed a resolution related to the imposition of an Operating Fee to be used solely for the purpose of paying operation costs. The Operation Fee consists of a recurring payment and a separate transfer fee payment imposed on transfers of a residential unit. The recurring payment is \$23 per month and to be paid quarterly and the transfer fee is \$325 per residential transfer. During 2020, the District recognized \$12,536 in Operation Fees.

NOTE 8 NET POSITION

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020, of \$488,817.

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to other governmental entities.

NOTE 9 RELATED PARTY

The Developer and homebuilder of the property which constitutes the District is Carlson Associates and KB Homes, respectively. The majority of the members of the Board of Directors are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

NOTE 10 ECONOMIC DEPENDENCY

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

NOTE 11 INTERFUND AND OPERATING TRANSFERS

The transfer from the Capital Projects Fund to the Debt Service Fund was the result of Trustee accounts related to the Bond issuance that were transferred to the Debt Service Fund as required under per the terms of the Indenture.

**HOMESTEAD HILLS METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 13 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

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

SUPPLEMENTARY INFORMATION

**HOMESTEAD HILLS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 18,937	\$ 18,882	\$ (55)
Specific Ownership Taxes	1,515	1,390	(125)
Interest Income	4,273	431	(3,842)
Total Revenues	<u>24,725</u>	<u>20,703</u>	<u>(4,022)</u>
EXPENDITURES			
Bond Interest	110,046	80,167	29,879
County Treasurer's Fees	284	283	1
Total Expenditures	<u>110,330</u>	<u>80,450</u>	<u>29,880</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(85,605)	(59,747)	25,858
OTHER FINANCING SOURCES (USES)			
Transfers (to) from Other Funds	401,008	308,437	(92,571)
Total Other Financing Sources (Uses)	<u>401,008</u>	<u>308,437</u>	<u>(92,571)</u>
NET CHANGE IN FUND BALANCE	315,403	248,690	(66,713)
Fund Balance - Beginning of Year	<u>43</u>	<u>45</u>	<u>2</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 315,446</u></u>	<u><u>\$ 248,735</u></u>	<u><u>\$ (66,711)</u></u>

**HOMESTEAD HILLS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest Income	\$ -	\$ 1,275	\$ 344	\$ (931)
Total Revenues	-	1,275	344	(931)
EXPENDITURES				
Bond Issue Costs	299,220	294,417	309,007	(14,590)
Capital Outlay	2,158,772	3,202,768	3,202,768	-
Engineering	-	8,538	7,538	1,000
Total Expenditures	2,457,992	3,505,723	3,519,313	(13,590)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(2,457,992)	(3,504,448)	(3,518,969)	(14,521)
OTHER FINANCING SOURCES (USES)				
Developer Advances	2,138,772	3,202,768	3,202,768	-
Bond Premium	-	111,555	111,555	-
Bond Proceeds	2,874,000	2,942,000	2,942,000	-
Repay Developer Advance	(2,158,772)	(2,445,823)	(2,192,221)	253,602
Transfers (to) from Other Funds	(401,008)	(308,437)	(308,437)	-
Total Other Financing Sources (Uses)	2,452,992	3,502,063	3,755,665	253,602
NET CHANGE IN FUND BALANCE				
	(5,000)	(2,385)	236,696	239,081
Fund Balance - Beginning of Year	5,000	2,385	2,386	1
FUND BALANCE - END OF YEAR				
	\$ -	\$ -	\$ 239,082	\$ 239,082

OTHER INFORMATION

**HOMESTEAD HILLS METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2018	\$ -	-	-	\$ -	\$ -	-
2019	820	45.000	50.000	77	77	100.00
2020	378,740	45.000	50.000	35,980	35,876	99.71
Estimated for Year Ending December 31, 2021	\$ 1,758,990	50.097	55.664	\$ 186,032		

**HOMESTEAD HILLS METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

\$2,200,000 General Obligation (Limited Tax
Convertible to Unlimited Tax) Bonds,
Series 2020A
Dated March 11, 2020
Principal Due December 1
Interest Due June 1 And December 1
Interest Rate 5.00%

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 111,000	\$ 111,000
2022	-	111,000	111,000
2023	20,000	111,000	131,000
2024	20,000	110,000	130,000
2025	25,000	109,000	134,000
2026	25,000	107,750	132,750
2027	30,000	106,500	136,500
2028	35,000	105,000	140,000
2029	35,000	103,250	138,250
2030	40,000	101,500	141,500
2031	40,000	99,500	139,500
2032	45,000	97,500	142,500
2033	50,000	95,250	145,250
2034	55,000	92,750	147,750
2035	55,000	90,000	145,000
2036	65,000	87,250	152,250
2037	65,000	84,000	149,000
2038	75,000	80,750	155,750
2039	75,000	77,000	152,000
2040	85,000	73,250	158,250
2041	90,000	69,000	159,000
2042	95,000	64,500	159,500
2043	100,000	59,750	159,750
2044	110,000	54,750	164,750
2045	115,000	49,250	164,250
2046	125,000	43,500	168,500
2047	130,000	37,250	167,250
2048	140,000	30,750	170,750
2049	145,000	23,750	168,750
2050	330,000	16,500	346,500
Total	<u>\$ 2,220,000</u>	<u>\$ 2,402,250</u>	<u>\$ 4,622,250</u>