



THORNTON
ADAMS COUNTY, COLORADO



FINANCIAL STATEMENTS
As of and for the 12-month period ended
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of North Holly Metro District

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Holly Metro District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the North Holly Metro District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Holly Metro District as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Holly Metro District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Holly Metro District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Holly Metro District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Holly Metro District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BF Borgers CPA PC

BF Borgers CPA PC

Lakewood, Colorado

October 19, 2022

NORTH HOLLY METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 107,643
Cash and investments – restricted	1,248,666
Accounts receivable – specific ownership taxes	282,725
Property taxes receivable	624,600
Prepaid expenses	8,115
Capital assets, net	421,990
Total Assets	2,693,739
LIABILITIES	
Accounts payable and accrued liabilities	3,906
Accrued interest payable	848,509
Current portion of general obligation refunding bonds	-
General obligation refunding bonds	13,184,000
Total Liabilities	14,036,415
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	624,600
Deferred equalization fees	282,725
Total Deferred Inflows of Resources	907,325
NET POSITION (DEFICIT)	
Restricted:	
Emergency reserves	4,500
Debt service	1,248,666
Capital projects	-
Non-spendable	8,115
Unassigned:	(13,511,282)
Net Position (Deficit)	\$ (12,250,001)

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

**NORTH HOLLY METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended
December 31, 2021**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government:					
Government Activities:					
General government activities	\$ (85,775)	\$ 79,550	\$ -	\$ -	\$ (6,225)
Interest and related costs on long-term debt	(871,945)	-	-	-	(871,945)
Capital project activities	(18,000)	-	-	-	(18,000)
	<u>\$ (975,720)</u>	<u>\$ 79,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(896,170)</u>
General Revenues					
					379,612
					20,892
					783
					<u>401,287</u>
					(494,883)
					<u>(11,755,118)</u>
					<u>\$ (12,250,001)</u>

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

**NORTH HOLLY METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2021**

	General Fund	Debt Service Fund	Capital Project Fund	Total Government Funds
ASSETS				
Cash and investments	\$ 107,643	\$ -	\$ -	\$ 107,643
Cash and investments - Restricted		1,248,666	-	1,248,666
Accounts receivable	282,725	-	-	282,725
Property taxes receivable	85,400	539,200	-	624,600
Prepaid expenses	8,115	-	-	8,115
TOTAL ASSETS	\$ 483,883	\$ 1,787,866	\$ -	\$ 2,271,749
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,906	\$ -	\$ -	\$ 3,906
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	85,400	539,200	-	624,600
Deferred equalization fees	282,725	-	-	282,725
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	372,031	539,200	-	911,231
FUND BALANCES				
Restricted:				
Emergencies (TABOR)	4,500	-	-	4,500
Debt service	-	1,248,666	-	1,248,666
Capital projects	-	-	-	-
Non-spendable	8,115	-	-	8,115
Unrestricted	99,237	-	-	99,237
TOTAL FUND BALANCES	111,852	1,248,666	-	1,360,518
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 483,883	\$ 1,787,866	\$ -	

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

Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds	
Land, property, structures and equipment, net	421,990
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bonds	(13,184,000)
Accrued interest payable	(848,509)
Net position of governmental activities	\$ (12,250,001)

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

NORTH HOLLY METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended
December 31, 2021

	General Fund	Debt Service Fund	Capital Project Fund	Total Government Funds
REVENUES				
Property taxes	\$ 84,677	\$ 294,935	\$ -	\$ 379,612
Specific ownership taxes	4,660	16,232	-	20,892
Equalization funding fees	79,550	-	-	79,550
Reimb expenses - collection costs	-	-	-	-
Net investment income	144	639	-	783
Total Revenues	169,031	311,806	-	480,837
EXPENDITURES				
General and administration	26,926	-	-	26,926
Landscaping maintenance	55,375	-	-	55,375
Other district expenses	3,474	-	-	3,474
Debt service				
Direct and indirect collection costs	-	39,349	-	39,349
Interest Expense - Series 2018A Bonds	-	580,525	-	580,525
Major capital projects	-	-	-	-
Total Expenditures	85,775	619,874	-	705,649
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	83,256	(308,068)	-	(224,812)
OTHER FINANCING SOURCES (USES)				
Fund Transfers In / (Out)	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	83,256	(308,068)	-	(224,812)
FIND BALANCES – BEGINNING	28,596	1,556,734	-	1,585,330
FUND BALANCES – END OF YEAR	<u>\$ 111,852</u>	<u>\$ 1,248,666</u>	<u>\$ -</u>	<u>\$ 1,360,518</u>

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

**NORTH HOLLY METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
12-Month Period Ended
December 31, 2021**

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

Net change in fund balances – Total government funds	\$	(224,812)
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

Depreciation expense on property, structures and equipment		(18,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest 2018B bonds		(96,211)
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Accrued interest 2018C bonds		(155,860)
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Changes in net position of governmental activities	\$	(494,883)
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These financial statements should be read only in connection with
the accompanying notes to the financial statements.

**NORTH HOLLY METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2021**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	\$ 84,800	\$ 84,677	\$ (123)
Specific ownership taxes	6,000	4,660	(1,340)
Equalization funding fees	88,400	79,550	(8,850)
Net investment income	-	144	144
Total Revenues	<u>179,200</u>	<u>169,031</u>	<u>(10,169)</u>
EXPENDITURES			
General and administration	35,700	26,926	8,774
Landscaping maintenance	126,200	55,375	70,825
Other district expenses	6,500	3,474	3,026
Total Expenditures	<u>168,400</u>	<u>85,775</u>	<u>82,625</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,800</u>	<u>83,256</u>	<u>72,456</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER	<u>10,800</u>	<u>83,256</u>	<u>72,456</u>
FUND BALANCE – BEGINNING OF YEAR	<u>3,100</u>	<u>28,596</u>	<u>25,496</u>
FUND BALANCE – END OF YEAR	<u>\$ 13,900</u>	<u>\$ 111,852</u>	<u>\$ 97,952</u>

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

**NORTH HOLLY METROPOLITAN DISTRICT
GENERAL FUND
EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2021**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
GENERAL AND ADMINISTRATION			
District management and accounting fees	\$ 40,000	\$ 40,000	\$ -
Administrative costs	3,100	855	2,245
Audit fees	6,000	5,940	60
Collection fees – County Treasurer	900	1,271	(371)
Board of Directors’ fees	3,000	3,300	(300)
Board training and conferences	2,500	-	2,500
Insurance	3,800	2,482	1,318
Legal fees	5,000	-	5,000
Indirect Cost Allocation	(31,700)	(26,922)	(4,778)
Contingency	3,100	-	3,100
Total General and Administration	<u>\$ 35,700</u>	<u>\$ 26,926</u>	<u>\$ 8,774</u>
LANDSCAPING MAINTENANCE			
Ground maintenance fees	59,700	15,839	43,861
Tree maintenance & replacement	5,000	-	5,000
Sprinkler repairs	5,000	1,807	3,193
Sprinklers – water	50,000	34,896	15,104
Sprinklers – electricity	1,500	480	1,020
Backflow maintenance	-	135	(135)
Playground maintenance	-	205	(205)
Monument sign maintenance	-	-	-
Property insurance	-	1,209	(1,209)
Miscellaneous landscape costs	5,000	804	4,196
Total Landscaping Maintenance	<u>\$ 126,200</u>	<u>\$ 55,375</u>	<u>\$ 70,825</u>
OTHER DISTRICT EXPENSES			
Snow removal	6,000	2,735	3,265
Vandalism	500	-	500
Park and recreation events	-	739	(739)
Total Other District Expenses	<u>\$ 6,500</u>	<u>\$ 3,474</u>	<u>\$ 3,026</u>

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

NORTH HOLLY METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2021

NOTE 1 – DEFINITION OF REPORTING ENTITY

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are as follows:

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

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

Budgets

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

Pooled Cash and Investments

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

Investments are carried at fair value.

Property Taxes

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

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

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

Specific Ownership Taxes

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the county. The 2022 budget projects the District's share of specific ownership taxes received from the State will be equal to approximately 5.5% of total property taxes collected.

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

Park & Recreation Equalization Fee

On November 30, 2020, the District adopted a resolution establishing a fee to fund the cost of maintaining the 8.7-acre North Holly park owned and maintained by the District (Equalization Fee). The Equalization Fee is \$1,075 per Lot (as adjusted by the District on July 28, 2021) and is assessed once at the time a certificate of occupancy is issued by the City and due to the District 10 days after the sale of each Lot to an end user. The purpose of the fee is equalize the cost burden across all 363 home lots related to maintaining a fully developed park designed to benefit 363 lots.

Also, the operations funding fee is intended to eliminate the District's reliance on advances from the Developer that are designed to be contingently repayable to the Developer. The District's policy is not to allow any landowners to fund their share of the District's services and operations with contingently refundable fees and taxes.

Collection Costs

Collection costs incurred by the District related to the collection of property taxes includes all costs incurred by the District that enable and support the District's ability to collect property taxes revenue. Generally, such costs include

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

For the 2021 year, the District allocated indirect collection costs between its general fund (50% cost allocation) and its debt fund (50% cost allocation). Direct collection costs such as county treasurer collection fees are proportionally allocated to each fund on the basis of each property tax revenue allocable to each fund proportion to total property tax revenue assessed by the District.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2021 are comprised of property taxes due from Adams County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District has assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, restricted, committed, assigned,

and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- **Committed fund balance** – The portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- **Assigned fund balance** – The portion of a fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- **Unassigned fund balance** – The residual portion of a fund balance that does not meet any of the criteria described above.

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ 107,643
Cash and investments – restricted	1,248,666
Total cash and investments	<u>\$ 1,356,309</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	\$ 74,223
Investments	1,282,086
Total cash and investments	<u>\$ 1,356,309</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. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

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

As of December 31, 2021, the District's cash deposits had a bank and carrying balance of \$74,223.

Investments

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

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

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

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

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

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

As of December 31, 2021, the District's investments were comprised of the following:

Investment	Maturity	Amortized Cost
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 1,282,086
		<u>\$ 1,282,086</u>

CSAFE

The District holds investments in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. CSAFE measures its investments at amortized cost, which value is not materially different (less than 0.005% difference) than the fair value measurement of such investments. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period notice. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. No limitations exist on the District's ability to withdraw funds invested in CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the 12-month period ended December 31, 2021, follows:

	Balance at Dec. 31, 2020	Additions	Dedications	Balance at Dec. 31, 2021	Accumulated Depreciation
Capital assets not being depreciated					
Land	\$ 8,690	\$ -	\$ -	\$ 8,690	
Total capital assets not being depreciated	8,690	-	-	8,690	
Capital assets subject to depreciation					
Basketball court	49,600	-	-	49,600	(\$ 4,000)
Playground and park equipment	169,000	-	-	169,000	(13,600)
Sidewalks	130,300	-	-	130,300	(10,400)
Pavilion	55,400	-	-	55,400	(4,400)
Irrigation system	45,000	-	-	45,000	(3,600)
Total capital assets subject to depreciation	449,300	-	-	449,300	(36,000)
Capital assets, net	\$ 457,990	\$ -	\$ -	\$ 457,990	(\$ 36,000)

As of December 31, 2021, the District owns one 8.69-acre land tract within the Holly Hills Estates Filing No. 1 subdivision. The District records its public land holdings at a nominal value of \$8,690. The Developer has indicated it will be turning over ownership of the remaining 14.43 acres of open space land tracts within the homeowner-controlled District to the Developer-controlled HOA.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2021:

	Balance at Dec. 31, 2020	Additions	Retirements	Balance at Dec. 31, 2021	Due within one year
Series 2018A G.O. Bonds	\$ 10,555,000	\$ -	\$ -	\$ 10,555,000	\$ -
Accrued Interest – Series 2018A G.O. Bonds	48,377	580,525	(580,525)	48,377	-
Series 2018B G.O. Bonds	1,015,000	-	-	1,015,000	-
Accrued Interest – Series 2018B G.O. Bonds	213,810	96,211	-	310,021	-
Series 2018C Junior Lien Bonds	1,614,000	-	-	1,614,000	-
Accrued Interest – Series 2018C Junior Lien Bonds	334,251	155,860	-	490,111	-
Total	\$ 13,780,438	\$ 832,596	(\$ 580,525)	\$ 14,032,509	\$ -

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

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

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

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

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

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

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

Amounts on deposit in the Senior Bond Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be

accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of \$2,111,000. The Senior Reserve Fund was originally funded with bond proceeds in the amount of \$896,000.

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount. Pursuant to the Senior Indenture, the Senior Surplus Fund will be terminated upon the Conversion Date, if it occurs, and any moneys therein applied to any legal purpose of the District. Under the Subordinate Indenture, any amounts in the Senior Surplus Fund upon termination of such fund are pledged to the payment of the Subordinate Bonds. The balance in the Senior Surplus Fund at December 31, 2021, was \$922,203.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	-	\$ 580,525	\$ 580,525
2023	-	580,525	580,525
2024	-	580,525	580,525
2025	35,000	580,525	615,525
2026	115,000	578,600	693,600
2027-2031	1,005,000	2,760,725	3,765,725
2032-2036	1,540,000	2,428,525	3,968,525
2037-2041	2,225,000	1,934,625	4,159,625
2042-2046	3,160,000	1,224,575	4,384,575
2047-2048	2,475,000	230,450	2,705,450
Total	\$ 10,555,000	\$ 11,479,600	\$ 22,034,600

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

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

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

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

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

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

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

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

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District on December 15, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

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

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

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

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

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

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

The Junior Lien Bonds are subject to redemption prior to maturity, at the option of the District on December 15, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

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

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

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

Debt Authorization

Debt Authorization – Service Plan

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

The District’s second amendment to its Amended and Restated Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District’s total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2004. As of January 1, 2004, the ratio was 7.96%. The ratio for 2021 was 7.15%, which caused the District’s Maximum Mill Levy for debt service for 2021 to be 55.664.

As of December 31, 2021, total remaining debt issuance authorization under the District's second Amended and Restated Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	\$ 15,000,000
Less:	
2018A Senior Bonds	(10,555,000)
2018B Subordinate Bonds	(1,015,000)
2018C Junior Lien Bonds	(1,614,000)
Unused, authorized debt issuance as of Dec. 31, 2021	\$ 1,816,000

Debt Authorization – TABOR

On November 1, 2005, the District's five electors (all of whom were qualified to vote by the owner of all land within the District at that time) unanimously voted to authorize the issuance of indebtedness in an amount not to exceed \$5,100,000 for infrastructure improvements and operations at an interest rate not to exceed 18% and \$5,000,000 for refunding the District's debt.

On November 4, 2014, the District's eight electors (all of whom were qualified to vote by the owner of all land within the District at that time) unanimously voted to authorize the issuance of indebtedness in an amount not to exceed \$30,000,000 for infrastructure improvements and operations at an interest rate not to exceed 18% and \$6,000,000 for refunding the District's debt.

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

	Authorized Nov. 2005 Election	Authorized Nov. 2014 Election	Total Voter- Authorized Debt	2018 Bonds	Remaining Authorization
Street improvements	\$ -	\$ 6,000,000	\$ 6,000,000	\$ 5,240,698	\$ 759,302
Park and recreational facilities	-	6,000,000	6,000,000	1,360,819	4,639,181
Storm drainage & sewer facilities	-	6,000,000	6,000,000	1,390,184	4,609,816
Water supply facilities	-	6,000,000	6,000,000	2,014,226	3,985,774
Sewer facilities	5,000,000	-	5,000,000	3,178,073	1,821,927
Operations and maintenance	100,000	6,000,000	6,100,000	-	6,100,000
Intergovernmental agreements	-	6,000,000	6,000,000	-	6,000,000
Subtotal	5,100,000	36,000,000	41,100,000	13,184,000	27,916,000
Refunding of debt	5,000,000	6,000,000	11,000,000	-	11,000,000
Total	\$ 10,100,000	\$ 42,000,000	\$ 52,100,000	\$13,184,000	\$ 38,916,000

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

- \$1,921,927 will expire in November 2025 - 20 years after the original debt authorization election.
- \$19,994,073 will expire in November 2034 - 20 years after the original debt authorization election.

NOTE 6 – CONTINGENT OBLIGATIONS

The District has entered into two contingent obligation agreements with the Developer (as defined in Note 9). The District has neither registered nor filed a notice of claim of exemption regarding these contingent obligation

agreements with the Colorado Securities Commissioner (“Commissioner”). Interpretative Order No. 06-IN-001 issued by the Commissioner provides that neither a registration application nor notice of claim of exemption is required to be filed with the Commissioner for a contractual obligation to repay a developer for advanced funds if such obligation provides that it is not transferable. None of these contingent obligation agreements are transferrable to third parties. The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The following contingent obligations exist, but are not necessarily owing, as of December 31, 2021:

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

For the 12-month period ended December 31, 2021, District payments made, advances received and interest accrued under the OMCR Agreement is as follows:

	<u>Cash advances net of repayments</u>	<u>Accrued interest net of repayments</u>	<u>Total</u>
Beginning Balance (Dec. 31, 2020)	\$ 146,552	\$ 21,311	\$ 167,863
Additional advances	-	-	-
Accrued interest	-	10,259	10,259
Payments to the Developer	-	-	-
Ending Balance (Dec. 31, 2021)	\$ 146,552	\$ 31,570	\$ 178,122

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

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

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

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

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

	Public Infrastructure costs reported by Developer	Funding paid to Developer	Balance due to/(from) Developer under IA Agreement
Beginning balance (Jan. 01, 2021)	\$ 9,192,067	(\$ 9,505,365)	(\$ 313,298)
Additional certified Developer costs	-	-	-
Payments to the Developer	-	-	-
Ending balance (Dec. 31, 2021)	\$ 9,192,067	(\$ 9,505,365)	(\$ 313,298)

NOTE 7 – NET POSITION (DEFICIT)

Non-Spendable Net Position

The District's non-spendable net position as of December 31, 2021 in the general fund, debt service fund and capital project fund totaled \$8,115, \$0, and \$0, respectively.

Restricted Net Position

The District's restricted net position as of December 31, 2021 in the general fund, debt service fund and capital projects fund totaled \$4,500, \$1,248,666 and \$0, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 11 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2018 Bonds. The restricted net position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure.

Unassigned Net Position

The District's unassigned net position as of December 31, 2021 totaled (\$13,511,282). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the City of Thornton and the District.

NOTE 8 – EQUALIZATION FUNDING FEES

On November 30, 2020, the Board adopted a resolution establishing a one-time fee to be assessed on all Lots at the time a certificate of occupancy is issued. The purpose of the fee is to (1) address current and future projected funding shortfalls in the District's general fund related to the management and operation of fully developed assets (e.g. 8.7-

acre park) designed to service a fully-built out District at a time when the District is not fully built out and (2) equalize the cost burden across all Lots from receiving park and recreation services provided by the District. The District further noted the park is directly used by residents and the park is used by the Developer to market and sell its undeveloped lots. Finally, the District noted the District, while under Developer control, desired to develop the park prior to developing the home lots to generate sufficient property tax revenue to support the on-going maintenance of such park facilities. The Fee was established at \$1,300 per Lot and applicable to all Lots for which no certificate of occupancy had been issued as of December 04, 2020.

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

	Home Lots	Equalization Funding Fees
Lots subject to the Equalization Funding Fee	263	\$ 282,725
Fees collected by the District in 2021	(74)	(79,550)
Remaining Lots subject to paying the Equalization Funding Fee as of December 31, 2021	189	\$ 203,175

NOTE 9 – RELATED PARTIES

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

Between November 2017 and May 05, 2020, the District’s board was comprised of three directors – all of whom were employees of the Developer. Between 2018 and May 2020, the District’s three directors approved the IA Agreement between the District and the Developer under which the directors approved payments to the Developer totaling \$9,505,365 in cash and Junior Lien Bonds to fund public infrastructure constructed by the Developer.

All contingent obligation agreements disclosed in Note 6 were executed by the District when all directors on the District’s Board were employees of the Developer.

For the 12-month period ended December 31, 2021, none of the directors serving on the District’s board reported conflicts of interest regarding their service on the Board.

NOTE 10 – RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, public officials’ liability, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the

Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

On November 4, 2014, eight electors (all of whom were qualified to vote by the owner of all land within the District at that time) unanimously voted to approve ballot measures that:

- authorized the District to assess property taxes up to \$1 million annually, without limitation to rate, to pay the District's operations, maintenance and other expenses; and
- authorized the District to assess property taxes up to \$6 million annually, without limitation to rate, to fund any intergovernmental agreements or other contracts the District may enter into with other entities; and
- allow the District to retain and spend all revenue – including revenue raised from fees and from ad valorem taxes – in excess of TABOR spending, revenue raising or other limitations.

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

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

SUPPLEMENTARY INFORMATION

**NORTH HOLLY METROPOLITAN DISTRICT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2021**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	\$ 295,400	\$ 294,935	\$ (465)
Specific ownership taxes	20,700	16,232	(4,468)
Net investment income	15,200	639	(14,561)
Total Revenues	331,300	311,806	(19,494)
EXPENDITURES			
Direct and indirect collection costs	46,175	39,349	6,826
Debt service			
Interest Expense - Series 2018A Bonds	580,525	580,525	-
Total Expenditures	626,700	619,874	6,826
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(295,400)	(308,068)	(12,668)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(295,400)	(308,068)	(12,668)
FUND BALANCE – BEGINNING	1,558,700	1,556,734	(1,966)
FUND BALANCE – END OF YEAR	<u>\$ 1,263,300</u>	<u>\$ 1,248,666</u>	<u>\$ (14,634)</u>

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

**NORTH HOLLY METROPOLITAN DISTRICT
DEBT SERVICE FUND
COLLECTION COST DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2021**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
DIRECT AND INDIRECT COLLECTION COSTS			
Collection fees – County Treasurer	\$ 6,475	\$ 4,427	\$ 2,048
Indirect Collection Cost Allocation	31,700	26,922	4,778
Legal fees	-	-	-
Bond paying agent fees	8,000	8,000	-
Miscellaneous	-	-	-
Total Direct and Indirect Collection Costs	\$ 46,175	\$ 39,349	\$ 6,826

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

**NORTH HOLLY METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2021**

	Original Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Net investment income	\$ -	\$ -	\$ -
Other	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
General and administrative fees	-	-	-
Capital projects			
Major capital projects	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES	<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>\$ -</u></u>	<u><u>\$ -</u></u>

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

NORTH HOLLY METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2021

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

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2022	\$ -	\$ 580,525	5.50%	\$ 580,525
2023	-	580,525	5.50%	580,525
2024	-	580,525	5.50%	580,525
2025	35,000	580,525	5.50%	615,525
2026	115,000	578,600	5.50%	693,600
2027	165,000	572,275	5.50%	737,275
2028	185,000	563,200	5.50%	748,200
2029	195,000	553,025	5.50%	748,025
2030	225,000	542,300	5.50%	767,300
2031	235,000	529,925	5.50%	764,925
2032	265,000	517,000	5.50%	782,000
2033	280,000	502,425	5.50%	782,425
2034	310,000	487,025	5.50%	797,025
2035	325,000	469,975	5.50%	794,975
2036	360,000	452,100	5.50%	812,100
2037	380,000	432,300	5.50%	812,300
2038	415,000	411,400	5.50%	826,400
2039	440,000	388,575	5.50%	828,575
2040	480,000	364,375	5.50%	844,375
2041	510,000	337,975	5.50%	847,975
2042	555,000	309,925	5.50%	864,925
2043	585,000	279,400	5.50%	864,400
2044	635,000	247,225	5.50%	882,225
2045	665,000	212,300	5.50%	877,300
2046	720,000	175,725	5.50%	895,725
2047	760,000	136,125	5.50%	896,125
2048	1,715,000	94,325	5.50%	1,809,325
	<u>\$ 10,555,000</u>	<u>\$ 11,479,600</u>		<u>\$ 22,034,600</u>

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

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

NORTH HOLLY METROPOLITAN DISTRICT
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2021

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2018	\$ 118,650	55.277	-	\$ 5,540	\$ 5,540	100.0%
2019	94,640	11.055	55.277	6,278	6,278	100.0%
2020	4,054,160	11.132	55.663	270,798	270,797	100.0%
2021	5,307,760	15.981	55.663	380,200	379,612	99.8%
2022	9,687,090	8.820	55.663	624,600	[TBD]	[TBD]

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

OTHER SUPPLEMENTARY INFORMATION

NORTH HOLLY METROPOLITAN DISTRICT
CHANGE IN TOTAL OVERLAPPING MILL LEVY

December 31, 2021

	2020 Mill Levy **	2021 Mill Levy *	Change
North Holly Metropolitan District	71.644	64.483	(7.161)
Brighton School District No. 27J	48.745	49.866	1.121
Adams County	26.897	27.069	0.172
City of Thornton	10.210	10.210	-
Rangeview Library District	3.670	3.689	0.019
Urban Drainage and Flood Control	0.900	0.900	-
Urban Drainage and Flood Control – South Platte	0.100	0.100	-
Total Mill Levy	162.166	156.317	(5.849)

* -- For property tax collections in 2022

** -- For property tax collections in 2021

NORTH HOLLY METROPOLITAN DISTRICT
HISTORICAL DEBT RATIOS
 December 31, 2021

	2017	2018	2019	2020	2021
General Obligation Bonds	\$ -	\$ 13,184,000	\$ 13,184,000	\$ 13,184,000	\$ 13,184,000
Accrued, unpaid interest - Bonds	\$ -	\$ 139,547	\$ 355,848	\$ 596,438	\$ 848,509
Other TABOR debt	\$ -	\$ -	\$ -	\$ -	\$ -
Combined assessed property values within the District	\$ 118,650	\$ 94,640	\$ 4,054,160	\$ 5,307,760	\$ 9,687,090
Ratio of debt to assessed property values	N/A	14,078%	334%	260%	145%