

HORSE CREEK METROPOLITAN DISTRICT
Douglas County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2019

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Independent Auditor's Report

Board of Directors
Horse Creek Metropolitan District
Douglas County, Colorado

Report for the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Horse Creek Metropolitan District (District) as of and for the year ended December 31, 2019 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 Horse Creek Metropolitan District, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
June 2, 2020

BASIC FINANCIAL STATEMENTS

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2019**

ASSETS

Cash and investments - unrestricted	\$ 209,457
Cash and investments - restricted	476,869
Cash with County Treasurer	3,157
Prepaid expense	2,910
Prepaid bond insurance	29,371
Property taxes receivable	377,887
Total assets	1,099,651

LIABILITIES

Accounts payable	1,379
Accrued interest payable	15,630
Bonds payable	
Due within one year	90,000
Due in more than one year	4,035,770
Total liabilities	4,142,779

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	377,887
Total deferred inflows of resources	377,887

NET POSITION

Restricted for:	
Emergencies	3,000
Debt service	463,587
Unrestricted	(3,887,602)
Total net position	\$ (3,421,015)

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

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 48,427	\$ -	\$ -	\$ -	\$ (48,427)
Interest and fiscal charges	189,547	-	-	-	(189,547)
	<u>\$ 237,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(237,974)</u>

General revenues:

Taxes:

Property taxes 347,183

Specific ownership taxes 34,822

Net investment income 1,378

Total general revenues 383,383

Change in net position 145,409

Net position - beginning (3,566,424)

Net position - ending \$ (3,421,015)

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

**HORSE CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 209,457	\$ -	\$ 209,457
Cash and investments - restricted	-	476,869	476,869
Cash with County Treasurer	809	2,348	3,157
Prepaid expenditures	2,910	-	2,910
Property tax receivable	96,845	281,042	377,887
TOTAL ASSETS	\$ 310,021	\$ 760,259	\$ 1,070,280
LIABILITIES			
Accounts payable	\$ 1,379	\$ -	\$ 1,379
Total liabilities	1,379	-	1,379
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	96,845	281,042	377,887
Total deferred inflows of resources	96,845	281,042	377,887
FUND BALANCES			
Nonspendable for prepaid expenditures	2,910	-	2,910
Spendable:			
Restricted for:			
Emergencies	3,000	-	3,000
Debt service	-	479,217	479,217
Assigned to subsequent year's expenditures	143,822	-	143,822
Unassigned	62,065	-	62,065
Total fund balances	211,797	479,217	691,014
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 310,021	\$ 760,259	

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

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Prepaid bond insurance	29,371
	29,371

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Bonds payable	(4,090,000)
Premium on bonds, net of accumulated amortization	(35,770)
Accrued interest payable	(15,630)
	(4,141,400)
Net position of governmental activities	\$ (3,421,015)

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

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 88,976	\$ 258,207	\$ 347,183
Specific ownership tax	8,924	25,898	34,822
Net investment income	509	869	1,378
Total revenues	<u>98,409</u>	<u>284,974</u>	<u>383,383</u>
EXPENDITURES			
Current			
Audit	4,414	-	4,414
Accounting	9,968	-	9,968
Legal	8,724	-	8,724
Management fees	11,956	-	11,956
Insurance	3,595	-	3,595
Election	28	-	28
Directors' fees	1,100	-	1,100
County Treasurer's fees	1,335	3,875	5,210
Office and miscellaneous	1,664	-	1,664
Chambers Road Streetscape	1,768	-	1,768
Debt service			
Bond principal	-	80,000	80,000
Bond interest and other costs	-	189,763	189,763
Paying agent and other fees	-	420	420
Total expenditures	<u>44,552</u>	<u>274,058</u>	<u>318,610</u>
NET CHANGE IN FUND BALANCES	53,857	10,916	64,773
FUND BALANCES - BEGINNING OF YEAR	157,940	468,301	626,241
FUND BALANCES - END OF YEAR	<u>\$ 211,797</u>	<u>\$ 479,217</u>	<u>\$ 691,014</u>

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

**HORSE CREEK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ 64,773</u>
<p>Long-term debt (e.g. bonds, loans) provide 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.</p>	
Payment of bond principal	<u>80,000</u>
<p>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.</p>	
Change in accrued interest payable - bonds	184
Amortization of prepaid bond insurance	(1,950)
Amortization of premium on bonds	<u>2,402</u>
	<u>636</u>
Change in net position - Governmental activities	<u><u>\$ 145,409</u></u>

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

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2019**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 88,976	\$ 88,976	\$ -
Specific ownership taxes	5,339	8,924	3,585
Net investment income	240	509	269
Total Revenues	<u>94,555</u>	<u>98,409</u>	<u>3,854</u>
EXPENDITURES			
Audit	5,300	4,414	886
Accounting	9,600	9,968	(368)
Legal	9,300	8,724	576
Management fees	8,700	11,956	(3,256)
Insurance	3,630	3,595	35
Election	-	28	(28)
Directors' fees	1,077	1,100	(23)
County Treasurer's fees	1,335	1,335	-
Office and miscellaneous	3,500	1,664	1,836
Chambers Road Streetscape	-	1,768	(1,768)
Contingency and reserves	206,272	-	206,272
Total Expenditures	<u>248,714</u>	<u>44,552</u>	<u>204,162</u>
NET CHANGE IN FUND BALANCE	(154,159)	53,857	208,016
FUND BALANCE - BEGINNING OF YEAR	154,160	157,940	3,780
FUND BALANCE - END OF YEAR	<u>\$ 1</u>	<u>\$ 211,797</u>	<u>\$ 211,796</u>

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

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Horse Creek Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide for the design, acquisition, construction, installation and financing of water and sewer facilities, including storm drainage and erosion control, streets and associated improvements, safety protection and park and recreation. All facilities constructed by the District have been conveyed to other governmental entities for perpetual maintenance.

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

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.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

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.

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 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.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 funds' average equity balance in 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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Debt Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method, with the unamortized amount included as a component of the debt. Debt issuance costs are treated as a period cost and expensed in the year incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Fund Balances – Governmental Funds

The District’s governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Cash and investments - Unrestricted	\$ 209,457
Cash and investments - Restricted	476,869
	\$ 686,326

Cash and investments as of December 31, 2019 consist of the following:

Deposits with financial institutions	\$ 686,326
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**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Cash Deposits

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 equal to 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, 2019, the District's cash deposits had a bank balance of \$692,669 and carrying balance of \$686,326.

Investments

The District's formal investment policy is to follow Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 2019, the District had no investments.

Restricted Cash and Investments

At December 31, 2019, cash deposits in the amount of \$476,869 are held in trust and are restricted for debt service in accordance with the Series 2013 Bond documents. The funds are held in various money market accounts at Compass Bank.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2019.

	<u>Balance at December 31, 2018</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at December 31, 2019</u>	<u>Due Within One Year</u>
G.O. Refunding Bonds, Series 2013	\$ 4,170,000	\$ -	\$ 80,000	\$ 4,090,000	\$ 90,000
Premium on 2013 bonds	38,172	-	2,402	35,770	-
	<u>\$ 4,208,172</u>	<u>\$ -</u>	<u>\$ 82,402</u>	<u>\$ 4,125,770</u>	<u>\$ 90,000</u>

General Obligation Refunding Bonds, Series 2013

On October 2, 2013, the District issued \$4,580,000 of General Obligation Refunding Bonds, Series 2013 (2013 Bonds), to refund and pay the 2010 Multi-Modal Loan in full and to terminate the Interest Rate Exchange Agreement. The 2013 Bonds are term bonds that mature on each December 1st of 2015, 2019, 2021, 2023, 2025, 2028, 2033, 2038 and 2041 and bear interest at rates ranging from .75% to 5.00%. Interest is to be paid semiannually on June 1 and December 1 of each year, commencing December 1, 2013.

The 2013 Bonds maturing after December 1, 2025 are subject to redemption prior to maturity at the option of the District, in whole or in integral multiples of \$5,000, in any order of maturities and in whole or part maturities as the District shall determine and by lot within a maturity, on December 1, 2023 and on any date thereafter, at a redemption price equal to the par amount thereof plus accrued interest to the redemption date.

The 2013 Bonds maturing are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot in such manner as the Paying Agent shall determine, annually on December 1 of each year as set forth in the Bond Sale Certificate in varying amounts.

The 2013 Bonds are general obligations of the District, payable from the ad valorem property taxes levied by the District (without limitation as to rate or amount), other moneys transferred to or deposited into the Bond Fund, amounts on deposit in the Reserve Fund and, in the sole discretion of the District, amounts on deposit in the Mill Levy Stabilization Fund and any other moneys made available for the payment of the principal of, premium, if any, and interest on the 2013 Bonds, subject to the restriction set forth in Section 14(e) of the Bond Resolution. The 2013 Bonds are insured by Build America Mutual Assurance Company (BAM) which guarantees the scheduled payment of principal and interest on the 2013 Bonds when due as set forth in its Municipal Bond Insurance Policy. The credit rate of BAM at the time of the issuance of its Municipal Bond Insurance Policy was AA/Stable by Standard & Poor's Rating Services.

Pursuant to the 2013 Bond documents, the District is required to establish a Reserve Fund with a portion of the bond proceeds of \$162,500 to assist in making the scheduled debt service payments in the event that the funds held in the Bond Fund account are

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

insufficient. The Reserve Fund is required to be maintained at \$162,500 (Reserve Requirement). If a withdrawal from the Reserve Fund is made that reduces the balance in such fund below the Reserve Requirement, the District shall include in the computation of its next mill levy certification, the amount necessary to replenish the Reserve Fund to the Reserve Requirement. At December 31, 2019, the District held \$163,440 in the Reserve Fund in connection with the 2013 Bonds.

The District is required to establish a Mill Levy Stabilization Fund with legally available moneys of the District at the time of issuance of the 2013 Bonds in the amount of \$100,000. After the Mill Levy Stabilization Fund is initially funded, it is not required to be maintained in any specific amount and will be funded from moneys, if any, which are legally available in any year after full payment of the debt service requirements and replenishment of the Reserve Fund. The Mill Levy Stabilization Fund is established for the purpose of paying the principal and interest on the 2013 Bonds. At December 31, 2019, the District held \$200,328 in the Mill Levy Stabilization Fund in connection with the 2013 Bonds.

The District's long-term obligations will mature as follows.

<u>Year Ending,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,000	\$ 187,563	\$ 277,563
2021	95,000	185,088	280,088
2022	100,000	182,475	282,475
2023	105,000	179,475	284,475
2024	115,000	176,325	291,325
2025-2029	655,000	817,631	1,472,631
2030-2034	910,000	647,000	1,557,000
2035-2039	1,245,000	388,000	1,633,000
2040-2041	775,000	62,500	837,500
	<u>\$ 4,090,000</u>	<u>\$ 2,826,057</u>	<u>\$ 6,916,057</u>

NOTE 5 – DEBT AUTHORIZATION

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$17,000,000 at an interest rate not to exceed 12% per annum.

The following table reflects the authorized but unissued indebtedness as of December 31, 2019:

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

	Authorized May 4, 2004 Election	Authorization Used	Remaining at December 31, 2019
Street improvements	\$ 3,340,000	\$ 3,340,000	\$ -
Water supply	1,670,000	1,670,000	-
Sanitary supply	490,000	490,000	-
Operations and maintenance	500,000	-	500,000
Bond refunding	5,500,000	4,940,000	560,000
Intergovernmental agreements	5,500,000	-	5,500,000
	<u>\$ 17,000,000</u>	<u>\$ 10,440,000</u>	<u>\$ 6,560,000</u>

The General Obligation Refunding Bonds, Series 2013 were issued at a lower interest rate than the rate borne by the 2010 Multi-Modal Loan therefore, no additional voter authorization was required for the issuance of the Bonds. In addition, the District's Service Plan imposes a debt limitation of \$5,500,000 with respect to indebtedness of the District. As of December 31, 2019, the District has \$4,090,000 of general obligation debt outstanding therefore limiting the District to \$1,410,000 of additional debt payable that it is entitled under the Service Plan to issue.

In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, the amount and timing of any debt issuances is not determinable.

NOTE 6 - FUND EQUITY

At December 31, 2019, the District reported the following classifications of fund equity:

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,910 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$3,000 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). The restricted fund balance in the Debt Service Fund in the amount of \$479,217 is to be used exclusively for debt service requirements (see Note 4).

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$143,822 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 - NET POSITION

The District's net position consists of two components – restricted and unrestricted. Restricted net position includes amounts 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's restricted net position as of December 31, 2019 is as follows:

Restricted net position:

Emergency reserves (see Note 9)	\$ 3,000
Debt service	<u>463,587</u>
	<u>\$ 466,587</u>

The District's unrestricted net position at December 31, 2019 totaled \$(3,887,602). This deficit amount was a result of the District being responsible for repayment of debt issued for public improvements conveyed to other governmental entities.

NOTE 8 - 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 (Pool) as of December 31, 2019. 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, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and fund 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 9 - 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 that 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.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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.

On May 4, 2004, the District's electors authorized the District to increase taxes \$100,000 annually, without limitation to rate, to pay the District's administration, operations, maintenance, landscape maintenance and other expenses in fiscal year 2004 and subsequent years. Additionally, District's electors authorized the District to retain and spend the full amount of all taxes, tap fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law to be imposed or collected by the District and any other revenues or income lawfully received by the District during 2002 and each year thereafter, without limitation by Article X, Section 20 of the Colorado Constitution.

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.

NOTE 10 – AGREEMENTS

On January 23, 2018, the District and Horse Creek Homeowners Association, Inc. ("HOA") entered into a Cost Sharing and Reimbursement Agreement ("Cost Sharing Agreement"), setting forth the terms and conditions under which the District and the HOA will share the costs of the installation of certain landscaping and the extension of the irrigation system in the Streetscape Tract (as defined in the Cost Sharing Agreement). Pursuant to the Cost Sharing Agreement, the HOA has agreed to pay the first \$10,000 in Project Costs (as defined in the Cost Sharing Agreement) and the District shall pay the remaining costs up to and not to exceed \$49,000 in additional costs upon receipt of documentation confirming the work has been completed in accordance with the plans and specifications agreed to by the HOA and the District. During 2019, the District incurred \$1,768 in project costs which brings the project total to \$48,170. The installation of improvements has been completed and all payments due from the District pursuant to the Cost Sharing Agreement were made in 2019.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**HORSE CREEK METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2019**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 258,206	\$ 258,207	\$ 1
Specific ownership taxes	15,492	25,898	10,406
Net investment income	585	869	284
Total Revenues	<u>274,283</u>	<u>284,974</u>	<u>10,691</u>
EXPENDITURES			
Current			
County Treasurer's fees	3,873	3,875	(2)
Debt service			
Bond principal	80,000	80,000	-
Bond interest	189,762	189,763	(1)
Paying agent and other fees	500	420	80
Contingency	500	-	500
Total expenditures	<u>274,635</u>	<u>274,058</u>	<u>577</u>
NET CHANGE IN FUND BALANCE	(352)	10,916	11,268
FUND BALANCE - BEGINNING OF YEAR	<u>458,527</u>	<u>468,301</u>	<u>9,774</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 458,175</u></u>	<u><u>\$ 479,217</u></u>	<u><u>\$ 21,042</u></u>

OTHER INFORMATION

**HORSE CREEK METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2019**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt</u>	<u>Levied</u>	<u>Collected</u>	
2008	\$ 9,525,170	3.000	29.000	\$ 304,805	\$ 313,520	102.9%
2009	\$ 10,717,510	3.000	29.000	\$ 342,961	\$ 342,263	99.8%
2010	\$ 11,625,790	4.000	29.000	\$ 383,651	\$ 384,413	100.2%
2011	\$ 11,727,870	4.000	29.000	\$ 387,019	\$ 386,189	99.8%
2012	\$ 10,943,850	4.000	29.000	\$ 361,147	\$ 361,545	100.1%
2013	\$ 10,940,990	4.000	29.000	\$ 361,148	\$ 361,055	100.0%
2014	\$ 11,300,889	4.000	29.000	\$ 372,930	\$ 372,930	100.0%
2015	\$ 11,325,730	4.000	24.000	\$ 317,121	\$ 317,122	100.0%
2016	\$ 13,276,140	4.000	21.000	\$ 331,904	\$ 331,850	100.0%
2017	\$ 13,268,210	6.407	18.593	\$ 331,705	\$ 331,706	100.0%
2018	\$ 13,890,980	6.407	18.593	\$ 347,275	\$ 347,140	100.0%
2019	\$ 13,887,280	6.407	18.593	\$ 347,182	\$ 347,183	100.0%
Estimated for year ending December 31, 2020	\$ 15,115,450	6.407	18.593	\$ 377,887		

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

**HORSE CREEK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2019**

\$4,580,000

General Obligation Refunding Bonds, Series 2013

Dated October 2, 2013

Interest Rates of .750%-5.000%

Principal Due December 1

Interest Due June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,000 *	\$ 187,563	\$ 277,563
2021	95,000	185,088	280,088
2022	100,000 *	182,475	282,475
2023	105,000	179,475	284,475
2024	115,000 *	176,325	291,325
2025	115,000	172,444	287,444
2026	125,000 *	168,562	293,562
2027	130,000 *	163,875	293,875
2028	140,000	159,000	299,000
2029	145,000 *	153,750	298,750
2030	160,000 *	146,500	306,500
2031	170,000 *	138,500	308,500
2032	185,000 *	130,000	315,000
2033	190,000	120,750	310,750
2034	205,000 *	111,250	316,250
2035	220,000 *	101,000	321,000
2036	235,000 *	90,000	325,000
2037	245,000 *	78,250	323,250
2038	265,000	66,000	331,000
2039	280,000 *	52,750	332,750
2040	300,000 *	38,750	338,750
2041	475,000	23,750	498,750
	<u>\$ 4,090,000</u>	<u>\$ 2,826,057</u>	<u>\$ 6,916,057</u>

* sinking fund maturities