

HANCE RANCH METROPOLITAN DISTRICT

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2021

**HANCE RANCH METROPOLITAN DISTRICT
SUMMARY
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,195,799
REVENUE			
Property taxes	-	34,557	47,159
Specific ownership tax	-	2,765	3,301
Interest income	-	-	2,000
Developer advance	-	1,130,919	1,059,600
Operations fees	-	-	25,030
Transfer fees	-	-	30,600
Bond issuance - Series 2020A(3)	-	2,375,000	-
Bond issuance - Series 2020B(3)	-	227,000	-
Bond premium - Series 2020A(3)	-	4,610	-
Total revenue	-	3,774,851	1,167,690
TRANSFERS IN	-	460,242	-
Total funds available	-	4,235,093	2,363,489
EXPENDITURES			
General Fund	-	50,000	75,000
Debt Service Fund	-	-	131,000
Capital Projects Fund	-	2,529,052	1,735,457
Special Revenue Fund	-	-	52,000
Total expenditures	-	2,579,052	1,993,457
TRANSFERS OUT	-	460,242	-
Total expenditures and transfers out requiring appropriation	-	3,039,294	1,993,457
ENDING FUND BALANCES	\$ -	\$ 1,195,799	\$ 370,032
EMERGENCY RESERVE	\$ -	\$ 1,100	\$ 500
SPECIAL REVENUE RESERVE	-	-	1,700
DEBT SERVICE RESERVE	-	221,243	221,243
DEBT SERVICE SURPLUS RESERVE	-	-	23,606
CAPITALIZED INTEREST	-	238,999	121,012
TOTAL RESERVE	\$ -	\$ 461,342	\$ 368,061

No assurance provided. See summary of significant assumptions.

**HANCE RANCH METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
ASSESSED VALUATION			
Vacant land	-	\$ 457,562	\$ 576,002
	-	457,562	576,002
Adjustments	-	-	(25,027)
Certified Assessed Value	\$ -	\$ 457,562	\$ 550,975
MILL LEVY			
General	0.000	75.524	25.174
Debt Service	0.000	0.000	60.419
Total mill levy	0.000	75.524	85.593
PROPERTY TAXES			
General	\$ -	\$ 34,557	\$ 13,870
Debt Service	-	-	33,289
	-	34,557	47,159
Levied property taxes	-	34,557	47,159
Adjustments to actual/rounding	-	-	-
Budgeted property taxes	\$ -	\$ 34,557	\$ 47,159
BUDGETED PROPERTY TAXES			
General	\$ -	\$ 34,557	\$ 13,870
Debt Service	-	-	33,289
	-	34,557	47,159
	\$ -	\$ 34,557	\$ 47,159

No assurance provided. See summary of significant assumptions.

**HANCE RANCH METROPOLITAN DISTRICT
GENERAL FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ -	\$ -	\$ 1,100
REVENUE			
Property taxes	-	34,557	13,870
Specific ownership tax	-	2,765	971
Developer advance	-	13,778	59,600
Total revenue	-	51,100	74,441
Total funds available	-	51,100	75,541
EXPENDITURES			
General and administrative			
Accounting	-	20,000	30,000
Audit	-	-	5,000
County Treasurer's fee	-	518	208
Dues	-	500	500
Insurance	-	2,000	2,500
Legal	-	25,000	35,000
Election	-	1,500	-
Contingency	-	482	1,792
Total expenditures	-	50,000	75,000
Total expenditures and transfers out requiring appropriation	-	50,000	75,000
ENDING FUND BALANCE	\$ -	\$ 1,100	\$ 541
EMERGENCY RESERVE	\$ -	\$ 1,100	\$ 500
TOTAL RESERVE	\$ -	\$ 1,100	\$ 500

No assurance provided. See summary of significant assumptions.

**HANCE RANCH METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUE			
Operations fees	-	-	25,030
Transfer fees	-	-	30,600
Total revenue	<u>-</u>	<u>-</u>	<u>55,630</u>
Total funds available	<u>-</u>	<u>-</u>	<u>55,630</u>
EXPENDITURES			
Operations and maintenance			
Repairs and maintenance	-	-	4,000
District management	-	-	22,500
Landscaping	-	-	7,500
Trash removal	-	-	7,500
Snow removal	-	-	7,500
Utilities	-	-	2,500
Miscellaneous	-	-	500
Total expenditures	<u>-</u>	<u>-</u>	<u>52,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>52,000</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,630</u>
SPECIAL REVENUE RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700</u>
TOTAL RESERVE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700</u>

No assurance provided. See summary of significant assumptions.

**HANCE RANCH METROPOLITAN DISTRICT
DEBT SERVICE FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ -	\$ -	\$ 460,242
REVENUE			
Property taxes	-	-	33,289
Specific ownership tax	-	-	2,330
Interest income	-	-	1,000
Total revenue	<u>-</u>	<u>-</u>	<u>36,619</u>
TRANSFERS IN			
Transfers from other funds	<u>-</u>	<u>460,242</u>	<u>-</u>
Total funds available	<u>-</u>	<u>460,242</u>	<u>496,861</u>
EXPENDITURES			
Debt Service			
County Treasurer's fee	-	-	499
Contingency	-	-	7,514
Paying agent fees	-	-	5,000
Bond interest - Series 2020A	-	-	117,987
Total expenditures	<u>-</u>	<u>-</u>	<u>131,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>131,000</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 460,242</u>	<u>\$ 365,861</u>
DEBT SERVICE RESERVE	\$ -	\$ 221,243	\$ 221,243
DEBT SERVICE SURPLUS RESERVE	-	-	23,606
CAPITALIZED INTEREST	-	238,999	121,012
TOTAL RESERVE	<u>\$ -</u>	<u>\$ 460,242</u>	<u>\$ 365,861</u>

No assurance provided. See summary of significant assumptions.

**HANCE RANCH METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
2021 BUDGET
WITH 2019 ACTUAL AND 2020 ESTIMATED
For the Years Ended and Ending December 31,**

1/23/21

	ACTUAL 2019	ESTIMATED 2020	BUDGET 2021
BEGINNING FUND BALANCE	\$ -	\$ -	\$ 734,457
REVENUE			
Interest income	-	-	1,000
Developer advance	-	1,117,141	1,000,000
Bond issuance - Series 2020A(3)	-	2,375,000	-
Bond issuance - Series 2020B(3)	-	227,000	-
Bond premium - Series 2020A(3)	-	4,610	-
Total revenue	-	3,723,751	1,001,000
Total funds available	-	3,723,751	1,735,457
EXPENDITURES			
Capital Projects			
Bond issue costs	-	294,770	-
Repay developer advance	-	1,117,141	735,457
Capital outlay	-	1,117,141	1,000,000
Total expenditures	-	2,529,052	1,735,457
TRANSFERS OUT			
Transfers to other fund	-	460,242	-
Total expenditures and transfers out requiring appropriation	-	2,989,294	1,735,457
ENDING FUND BALANCE	\$ -	\$ 734,457	\$ -

No assurance provided. See summary of significant assumptions.

**HANCE RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Hance Ranch Metropolitan District (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order of the District Court in Jefferson County on November 19, 2019, and is governed pursuant to provisions of the Colorado Special District Act, Title 32, Article I, Colorado Revised Statutes. The District's service area is location in Jefferson County. The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services.

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$6,000,000. In the future, the District may issue a portion or all of the authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the Districts' service area, however, as of the date of this budget, the amount and timing of any debt issuances is not determinable.

The District has no employees and all administrative functions are contractual.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1- 105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

Developer Advances

The District is in the development stage. As such, a significant portion of the operating and administrative expenditures are to be funded by the Developer. The Developer is also expected to construct or cause to construct certain public improvements on behalf of the District. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer from bond proceeds and other legally available revenue.

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

The calculation of the taxes levied is displayed on the property tax summary information page of the budget.

**HANCE RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 7% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.25%.

Operations fees

The District imposes an Operations Fee on all residential units within the boundaries of the District to fund operating costs.

Transfer fees

The District imposes a Transfer Fee upon on each transfer of a residential unit to an end user.

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated cost of services necessary to maintain the District's administrative viability such as legal, accounting, insurance, membership dues, election and other administrative expenditures.

Debt Service

Principal and interest payments in 2021 are provided based on the debt amortization schedule from the Series 2020A(3) Bonds (discussed under Debts and Leases). There is no debt amortization schedule provided for the Series 2020B(3) Subordinate Bonds as the Bond is a cash flow bond and the timing of the payments are unknown.

Capital Outlay

The District anticipates capital outlay as outlined in the Capital Project Fund.

**HANCE RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases

Series 2020 Bonds

The District issued Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A(3) on December 10, 2020, in the par amount of \$2,375,000 (the Senior Bonds). The District also issued Subordinate Limited Tax General Obligation Bonds, Series 2020B(3) on December 10, 2020, in the par amount of \$227,000 (the Subordinate Bonds). Proceeds from the sale of the Senior and Subordinate Bonds were used to fund: (i) the costs of public improvements for the benefit of the District; (ii) capitalized interest on the Senior Bonds; (iii) certain funds created in the Senior Indenture; and (iv) costs of issuing the Bonds.

Senior Bonds Details

The Senior Bonds were issued as two term bonds that bear interest at the respective rates of 5.000% and 5.125%, payable semiannually on June 1 and December 1, beginning on June 1, 2021. The Senior Bonds have annual mandatory sinking fund principal payments due annually on December 1, beginning on December 1, 2028 and mature on December 1, 2050.

To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 31, 2060, and shall continue to bear interest at the rate borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the Senior Bond. In the event that any amount of principal or interest on the Senior Bonds remains unpaid after the application of all Senior Pledged Revenue available therefor on December 31, 2060, the Senior Bonds shall be deemed discharged.

Senior Bonds Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue from the following sources, net of any costs of collection and any property tax refunds or abatement authorized by or on behalf of the County: (a) the Senior Required Mill Levy; (b) the portion of the Senior Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; (c) the Cooperation Agreement Revenues; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Trustee for application as Senior Pledged Revenue.

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 8.000% per annum and are payable annually on December 15, beginning December 15, 2021 from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2050. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15.

All of the Subordinate Bonds and interest thereon are to be deemed to be discharged after the application of all available Subordinate Pledged Revenue on December 31, 2060 (the "Subordinate Bonds Termination Date"), regardless of the amount of principal and interest paid prior to the Subordinate Bonds Termination Date.

**HANCE RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue which means: (a) the Subordinate Required Mill Levy; (b) the portion of the Specific Ownership Tax Revenues resulting from the Subordinate Required Mill Levy; (c) the portion of the Cooperation Agreement Revenues, if any, available after application to the payment of the Senior Bonds; (d) the amounts, if any, in the Surplus Fund released to the District pursuant to the Senior Indenture; (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Optional Redemption

The Senior and Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2025, upon payment of par, accrued interest, and a redemption premium of 3% and on any date thereafter, with a redemption premium declining 1% per year for the next two years and no redemption premium thereafter.

Senior Required Mill Levy

Pursuant to the Senior Indenture, prior to the Conversion Date, the District has covenanted to impose a Senior Required Mill Levy on all taxable property of the District each year in an amount sufficient to pay the Senior Bonds when due and, if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but (i) not in excess of 60.000 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement with respect to the classes of property on which the District may impose its mill levy after January 1, 2018), and (ii) for so long as the Surplus Fund is required to be maintained and the amount on deposit therein is less than the Maximum Surplus Amount, not less than 60.000 mills (subject to adjustment), or such lesser mill levy which will pay the Senior Bonds when due, will replenish the Reserve Fund to the amount of the Required Reserve and, for so long as the Surplus Fund is required to be maintained, will fund the Surplus Fund to the Maximum Surplus Amount.

The Conversion Date means the date that: (i) the Debt to Assessed Ratio is 50% or less; (ii) no payments of principal or interest on the Senior Bonds are past due; and, (iii) the amount on deposit in the Reserve Fund is not less than the Required Reserve. Debt to Assessed Ratio means the ratio derived by dividing the then-outstanding principal amount of all debt of the District by the assessed valuation of taxable property in the District. For purposes of the forecast, the current year Debt to Assessed Ratio is calculated based on the outstanding Bonds as of December 2 of the current year and the assessed valuation for the subsequent year.

On and after the Conversion Date, a Senior Required Mill Levy is to be imposed upon all taxable property of the District each year in an amount sufficient to pay the Senior Bonds when due and, if necessary, to replenish the Reserve Fund to the amount of the Required Reserve, without limitation of rate. On and after the Conversion Date, the definition of "Senior Required Mill Levy" shall be determined exclusively by this paragraph regardless of any subsequent increase in the Debt to Assessed Ratio.

**HANCE RANCH METROPOLITAN DISTRICT
2021 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (Continued)

Subordinate Required Mill Levy

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy upon all taxable property in the District each year in an amount of 60 mills (subject to adjustment) less the amount of the Senior Bond Required Mill Levy. Senior Bond Required Mill Levy means the ad valorem mill levy applied in connection with any Senior Bonds.

The Subordinate Required Mill Levy will equal zero at any time that the (a) the payment of the Senior Bonds (and any other Senior Obligations) and replenishment of the Reserve Fund (and any similar reserve fund securing Senior Obligations) requires the imposition of at least 60 mills, as adjusted; and (b) prior to the Conversion Date, the amount on deposit in the Surplus Fund is less than the Maximum Surplus Amount.

The District has no debt, nor any capital and operating leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for 2021 as defined under TABOR.

Debt Service Reserve

The Senior Bonds are secured by the Reserve Fund which was funded from proceeds of the Senior Bonds in the amount of the Required Reserve of \$221,243. The Reserve Fund is to be maintained in the amount of the Required Reserve for so long as any Senior Bond is outstanding. Moneys in the Surplus Fund are to be used for payment of the Senior Bonds prior to the use of any moneys in the Reserve Fund.

Debt Service Surplus Reserve

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$237,500. Subject to the receipt of sufficient Senior Pledged Revenue, the Surplus Fund is to be maintained until the earlier of: (i) the Conversion Date or (ii) the date on which no Senior Bonds remain outstanding.

On and after the Conversion Date, amounts on deposit in the Surplus Fund are to be released to the District for application to any lawful purpose. However, the forecast assumes that the Surplus Fund will not be released until the final maturity of the Senior Bonds, as explained below. Pursuant to the Subordinate Indenture, amounts released from the Surplus Fund are pledged to the repayment of the Subordinate Bonds.

This information is an integral part of the accompanying budget.

**HANCE RANCH METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
MANDATORY REDEMPTION SCHEDULE
\$2,375,000 Limited Tax (Convertible to Unlimited Tax)
General Obligation Bonds**

Series 2020A(3), Dated December 10, 2020

Principal Due December 1

Interest at 5.000% and 5.125%

Payable June 1 and December 1

Year	Principal	Interest	Total
2021	\$ -	\$ 117,987	\$ 117,987
2022	-	121,013	121,013
2023	-	121,013	121,013
2024	-	121,013	121,013
2025	-	121,013	121,013
2026	-	121,013	121,013
2027	-	121,013	121,013
2028	10,000	121,013	131,013
2029	10,000	120,513	130,513
2030	20,000	120,013	140,013
2031	20,000	119,013	139,013
2032	30,000	118,013	148,013
2033	30,000	116,513	146,513
2034	45,000	115,013	160,013
2035	45,000	112,763	157,763
2036	55,000	110,513	165,513
2037	60,000	107,763	167,763
2038	75,000	104,763	179,763
2039	75,000	101,013	176,013
2040	90,000	97,263	187,263
2041	95,000	92,763	187,763
2042	115,000	87,894	202,894
2043	120,000	82,000	202,000
2044	140,000	75,850	215,850
2045	145,000	68,675	213,675
2046	165,000	61,244	226,244
2047	175,000	52,788	227,788
2048	195,000	43,819	238,819
2049	205,000	33,825	238,825
2050	455,000	23,319	478,319
Total	\$2,375,000	\$2,930,400	\$5,305,400

No assurance provided. See summary of significant assumptions.