

**BERTHOUD-HERITAGE METROPOLITAN
DISTRICT NO. 1**

BASIC FINANCIAL STATEMENTS

December 31, 2020

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Berthoud-Heritage Metropolitan District No. 1
Berthoud, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Berthoud-Heritage Metropolitan District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Berthoud-Heritage Metropolitan District No. 1, as of December 31, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 20 be presented to supplement the basic financial statements. Such 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. 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.

Management has not presented 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 is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 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 individual fund schedule is fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

July 28, 2021

BASIC FINANCIAL STATEMENTS

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2020

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 2,604,187	\$ 809,343
Restricted Cash and Investments	5,327,243	14,151,443
Accounts Receivable	65,158	42,059
Due From Other Districts	77,452	44,398
Prepaid Expenses	91,034	14,588
Capital Assets, not depreciated	38,619,355	30,545,574
Capital Assets, depreciated net of accumulated depreciation	261,988	271,127
	<u>47,046,417</u>	<u>45,878,532</u>
LIABILITIES		
Accounts Payable	82,248	49,844
Due To Other Districts	-	-
Unearned Revenue	526,823	289,113
Deposits	71,250	24,600
Accrued Interest	4,142,036	2,577,414
Noncurrent Liabilities		
Due in One Year	30,732,255	30,746,033
Due in more than One Year	26,570,000	26,570,000
	<u>62,124,612</u>	<u>60,257,004</u>
NET POSITION		
Net Investment in Capital Assets	(18,420,912)	(26,499,332)
Restricted	5,405,843	14,175,544
Unrestricted	<u>(2,063,126)</u>	<u>(2,054,684)</u>
	<u>\$ (15,078,195)</u>	<u>\$ (14,378,472)</u>

The accompanying notes are an integral part of the financial statements.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
			<u>Governmental Activities</u>	
			<u>2020</u>	<u>2019</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 1,019,487	\$ 2,603,593	\$ 1,584,106	\$ (384,368)
Interest on Long-Term Debt	3,059,185	-	(3,059,185)	(2,615,873)
Total Governmental Activities	<u>\$ 4,078,672</u>	<u>\$ 2,603,593</u>	(1,475,079)	(3,000,241)
GENERAL REVENUES				
			135,592	292,479
			639,764	(323,197)
SPECIAL ITEM				
			-	(4,350,000)
			<u>775,356</u>	<u>(4,380,718)</u>
			(699,723)	(7,380,959)
			<u>(14,378,472)</u>	<u>(6,997,513)</u>
			<u>\$ (15,078,195)</u>	<u>\$ (14,378,472)</u>

The accompanying notes are an integral part of the financial statements.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2020

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	RESERVOIR FUND
ASSETS				
Cash and Investments	\$ 2,604,187	\$ -	\$ -	\$ -
Restricted Cash and Investments	-	-	5,327,243	-
Accounts Receivable	65,158	-	-	-
Due From Other Districts	77,452	-	-	-
Prepaid Expenses	91,034	-	-	-
TOTAL ASSETS	\$ 2,837,831	\$ -	\$ 5,327,243	\$ -
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 82,248	\$ -	\$ -	\$ -
Unearned Revenue	526,823	-	-	-
Deposits	71,250	-	-	-
TOTAL LIABILITIES	680,321	-	-	-
FUND EQUITY				
Fund Balance				
Nonspendable	91,034	-	-	-
Restricted for Emergencies	78,600	-	-	-
Restricted for Capital Projects	-	-	-	-
Restricted for Debt Service	-	-	5,327,243	-
Committed for Facility Operations	100,000	-	-	-
Unassigned	1,887,876	-	-	-
TOTAL FUND EQUITY	2,157,510	-	5,327,243	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,837,831	\$ -	\$ 5,327,243	\$ -

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include developer advances (\$10,897,836), bonds payable (\$26,570,000), notes payable (\$19,834,419) and accrued interest (\$4,142,036).

Net position of governmental activities

The accompanying notes are an integral part of the financial statements.

TOTALS

	2020		2019
\$	2,604,187	\$	809,343
	5,327,243		14,151,443
	65,158		42,059
	77,452		44,398
	91,034		14,588
\$	8,165,074	\$	15,061,831

\$	82,248	\$	49,844
	526,823		289,113
	71,250		24,600
	680,321		363,557

	91,034		14,588
	78,600		29,000
	-		8,000,884
	5,327,243		6,145,660
	100,000		
	1,887,876		508,142
	7,484,753		14,698,274

38,881,343	30,816,701
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(61,444,291)	(59,893,447)
\$ (15,078,195)	\$ (14,378,472)

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	RESERVOIR FUND
REVENUES				
Charges for Services	\$ 221,781	\$ -	\$ -	\$ 65,686
Development and O&M Fees	742,753	-	-	-
Non-Potable Water System Fee	709,923	-	-	-
Non-Potable Water Meter Fee	201,911	-	-	-
Raw Water System Fee	645,500	-	-	-
Non-Potable Water Service Fee	16,039	-	-	-
Interest and Other	69,247	26,463	39,882	-
TOTAL REVENUES	<u>2,607,154</u>	<u>26,463</u>	<u>39,882</u>	<u>65,686</u>
EXPENDITURES				
Current				
General Government	782,236	100,000	3,500	155,493
Capital Outlay	-	8,042,900	-	-
Debt Service				
Interest Payments	-	-	1,494,563	-
TOTAL EXPENDITURES	<u>782,236</u>	<u>8,142,900</u>	<u>1,498,063</u>	<u>155,493</u>
(UNDER) EXPENSES	<u>1,824,918</u>	<u>(8,116,437)</u>	<u>(1,458,181)</u>	<u>(89,807)</u>
OTHER FINANCING SOURCES (USES)				
Note Proceeds	-	-	-	-
Repayment of Developer Advances	-	(13,778)	-	-
Bond Proceeds	-	-	-	-
Bond Issuance Costs	-	-	-	-
Transfers to/from Other Districts	-	-	639,764	-
Proceeds from Developer Advances	-	-	-	-
Transfers In	-	129,331	-	89,807
Transfers Out	(219,138)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(219,138)</u>	<u>115,553</u>	<u>639,764</u>	<u>89,807</u>
NET CHANGE IN FUND BALANCES	1,605,780	(8,000,884)	(818,417)	-
FUND BALANCES, Beginning	<u>551,730</u>	<u>8,000,884</u>	<u>6,145,660</u>	<u>-</u>
FUND BALANCES, Ending	<u>\$ 2,157,510</u>	<u>\$ -</u>	<u>\$ 5,327,243</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

TOTALS

2020	2019
\$ 287,467	\$ 57,895
742,753	342,904
709,923	271,926
201,911	106,964
645,500	168,750
16,039	0
135,592	292,479
2,739,185	1,240,918
1,041,229	553,292
8,042,900	34,895,574
1,494,563	954,859
10,578,692	36,403,725
(7,839,507)	(35,162,807)
-	19,834,419
(13,778)	(394,278)
-	26,570,000
-	(834,352)
639,764	(323,197)
-	4,350,000
219,138	7,342,708
(219,138)	(7,342,708)
625,986	49,202,592
(7,213,521)	14,039,785
14,698,274	658,489
\$ 7,484,753	\$ 14,698,274

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (7,213,521)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the depreciation expense (\$15,139) and capital outlay of \$8,079,781.	8,064,642
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the change in accrued interest for the year of (\$1,564,622), and repayment of developer advances of \$13,778.	<u>(1,550,844)</u>
Change in Net Position of Governmental Activities	<u>\$ (699,723)</u>

The accompanying notes are an integral part of the financial statements.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Berthoud-Heritage Metropolitan District No. 1 (“District”) was formed to provide public services and improvements for the District and surrounding area within its boundaries. The District is governed by a five-member Board of Directors (the “Board”) elected by the constituents. The District was formed in conjunction with Berthoud-Heritage Metropolitan District Nos 2-9, collectively, “Districts” and was established as the Service District. Berthoud-Heritage Metropolitan District Nos. 2-9 were established as Financing Districts. In 2018, Berthoud-Heritage Metropolitan Districts Nos 10 to 17 were also established.

The accounting policies of the District conform to generally accepted accounting principles (“GAAP”) as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 collected 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.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The *Debt Service Fund* accounts for the payment of principal and interest due on the District's debt.

The *Reservoir Fund* accounts for the activities related to the District's reservoir operations.

Assets, Liabilities, and Net Position/Fund Balance

Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid expenses in both the government-wide and fund financial statements using the consumption method.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight-line method over the estimated useful lives between fifteen and thirty years.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position/Fund Balance (Continued)

Long -Term Operations (Continued)

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.

Property Taxes

Property taxes are levied on December 15 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Assessed Property Taxes are first submitted to the Berthoud-Heritage Metropolitan District Nos 2 through 9 and subsequently are forwarded to the District as a payment for administrative and other services.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position/Fund Balance (Continued)

Fund Balance Classification (Continued)

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District reports prepaid expenses as nonspendable for the year ended December 31, 2020
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District committed fund balance for facility operations as of December 31, 2020.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgets are legally adopted for all funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

A summary of deposits and investments as of December 31, 2020 follows:

Money in Clearing	\$ 3,600
Cash Deposits	2,091,551
Investments	<u>5,836,279</u>
Total	<u>\$ 7,931,430</u>

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Cash and investments are reported in the financial statements as follows:

Governmental Activities - Unrestricted	\$ 2,604,187
Governmental Activities – Restricted	<u>5,327,243</u>
Total	<u>\$ 7,931,430</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations.

At December 31, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2020, the District had deposits with financial institutions with a carrying amount of \$2,091,551. The bank balances with the financial institutions were \$2,091,551. Of these balances, \$250,000 was covered by federal depository insurance and \$1,841,551 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but adheres to state statute requirements.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Local Government Investment Pools

The District had invested \$5,836,279 in the Colorado Local Government Liquid Asset Trust (COLOTRUST); which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, is summarized below:

	Balances <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/20</u>
Governmental Activities				
Capital Assets, not depreciated				
Infrastructure in progress	\$ 30,545,574	\$ 8,073,781	\$ -	\$ 38,619,355
Total Capital Assets, not depreciated	<u>30,545,574</u>	<u>8,073,781</u>	<u>-</u>	<u>38,619,355</u>
Capital Assets, depreciated				
Buildings	219,956		-	219,956
Machinery & Equipment	<u>69,077</u>	<u>6,000</u>	<u>-</u>	<u>75,077</u>
Total Capital Assets, depreciated	<u>289,033</u>	<u>6,000</u>	<u>-</u>	<u>295,033</u>
Accumulated Depreciation	<u>(17,906)</u>	<u>(15,139)</u>	<u>-</u>	<u>(33,045)</u>
Total Capital Assets, depreciated, net	<u>271,127</u>	<u>(9,139)</u>	<u>-</u>	<u>261,988</u>
Governmental Activities, Capital Assets, Net	<u>\$ 30,816,701</u>	<u>\$ 8,064,642</u>	<u>\$ -</u>	<u>\$ 38,881,343</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2020.

	Balance <u>12/31/19</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/20</u>	Due In <u>One Year</u>
Developer Debt, Capital	\$10,128,414	\$ -	\$ 13,778	\$ 10,114,636	\$ 10,114,636
Developer Debt, Operating	783,200	-	-	783,200	783,200
Note Payable Series 2019	19,834,419	-	-	19,834,419	19,834,419
Bonds Payable – Series 2019	<u>26,570,000</u>	<u>-</u>	<u>-</u>	<u>26,570,000</u>	<u>-</u>
Total	<u>\$57,316,033</u>	<u>\$ -</u>	<u>\$ 13,778</u>	<u>\$ 57,302,255</u>	<u>\$ 30,732,255</u>

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 5: LONG-TERM DEBT (Continued)

2019 Bonds Payable

The District issued \$26,570,000 in Limited Tax Supported Revenue Bonds, Series 2019 (2019 Bonds), on April 11, 2019. The proceeds from the 2019 Bonds were used to fund an Improvement Project Fund for further acquisition and construction of certain public infrastructure improvements in the District required for District development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements; and to pay certain costs related to the issuance of the 2019 Bonds. Interest accrues at a rate of 5.625% through December 1, 2048. Payments of principal and interest are due annually on December 1 and payments of interest are due semi-annually on June 1 and December 1. The Bonds mature on December 1, 2048.

Notes Payable

The District issued Notes with the Developer not to exceed \$90,000,000, on December 10, 2019. The proceeds from the notes were used to fund an Improvement Project Fund for further acquisition and construction of certain public infrastructure improvements in the District required for District development, consisting generally of streets, water, sanitary sewer, park and recreation, and related improvements. Interest accrues at a rate of 2.00% plus the Federal Reserve Bank Prime Rate. The rate at December 31, 2020 was 5.25%. The Notes mature on December 10, 2021.

Developer Debt, Capital

On May 6, 2008, the District entered into promissory notes and loan agreements with the original developing entity in order to finance and acquire improvements within the District boundaries and has been renewed annually and subsequently amended from time to time to include additional funding members, collectively, "Developer". Wherein the Developer agreed to loan the District up to \$90,000,000 initially for capital costs related to public infrastructure. The Notes call for interest at 2% plus the Federal Reserve Bank Prime Rate. The loans were renewed and will mature on December 13, 2021.

Developer Debt, Operating

On May 6, 2008, the District entered into a promissory note and loan agreement with the original developing entity in order to finance improvements within the District boundaries and has been renewed annually and subsequently amended from time to time to include additional funding members, collectively, "Developer". Wherein the Developer agreed to loan the District up to \$500,000 initially for operational and maintenance costs. The limit was increased to \$1,500,000 in March of 2019. The Note calls for interest at 2% plus the Federal Reserve Bank Prime Rate. The loans were renewed and will mature on December 11, 2021.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: LONG-TERM DEBT (Continued)

Future Debt Service Requirements

Annual debt service requirements for the Bonds Payable at December 31, 2020 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,494,562	\$ 1,494,562
2022	-	1,494,562	1,494,562
2023	-	1,494,562	1,494,562
2024	-	1,494,562	1,494,562
2025	-	1,494,562	1,494,562
2026-2030	1,690,000	7,348,501	9,038,501
2031-2035	3,605,000	6,625,124	10,230,124
2036-2040	5,350,000	5,426,156	10,776,156
2041-2045	7,605,000	3,682,408	11,287,408
2046-2048	<u>8,320,000</u>	<u>1,082,534</u>	<u>9,402,534</u>
Total Debt Service Requirements	<u>\$ 26,570,000</u>	<u>\$ 31,637,533</u>	<u>\$ 58,207,533</u>

NOTE 6: DEVELOPER AGREEMENT

The promissory notes referenced in note 5 were issued in accordance with the Amended and Restated Funding and Reimbursement Agreement, the Amended and Restated Infrastructure Acquisition Agreement, District Facilities Construction and Service Agreement, and an Amended and Restated Funding and Reimbursement Agreement (collectively, “Developer Funding Agreements”) effective March 6th, 2019, under which the Developer agreed to loan the District up to \$90,000,000 for capital costs related to public infrastructure.

The Developer Funding Agreements also specifies that the District will reimburse the Developer from legally available resources of the District, including fees, rates, and taxes. Where the Developer provided preliminary financing for these improvements, the District would eventually repay the Developer (partial, or in whole) and acquire the improvements with the proceeds from General Obligations Bonds, revenue bonds, promissory notes or other indebtedness of the Districts which would be issued by the District.

The Construction Agreement provides for funds to be loaned to the Districts in one or a series of installments and shall be available to the District through December 31, 2036 as may be amended pursuant to an annual review and annual appropriations of the District. The Funding and Reimbursement Agreement provides for funds to be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2036.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 6: DEVELOPER AGREEMENT (Continued)

The Developer also provided preliminary financing for these improvements with the understanding that the District would eventually repay the Developer and acquire the improvements with the proceeds of General Obligations Bonds, revenue bonds, promissory notes or other indebtedness of the Districts which will be issued by the District.

The Developer Agreements provide for Heron Lakes Investments, LLC to design and construct certain improvements on behalf of the District with the understanding that the District would acquire such improvements pursuant to an annual review and annual appropriations of the District. The Developer Funding Agreements set forth the procedures by which the improvements will be conveyed to the District, with the understanding that the District would eventually repay the Developer (See Note 7 – Related Parties) and acquire the improvements with proceeds of General Obligation Bonds, revenue bonds, promissory notes, or other indebtedness of the District, which will be issued by the District.

NOTE 7: RELATED PARTIES

The Developers of the property which constitutes the District are Heron Lakes Investments, LLC. All of the members of the Board are employees, owners or are otherwise associated with the Developers, and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District currently is indebted to the Developer for public improvements costs certified as constructed and acquired by the District as of December 31, 2020 in the amount of \$10,897,836 and accrued interest on the outstanding debt in the amount of \$4,142,036.

Assignment of Royalties

On September 28, 2015, two District board members entered into an agreement with the District to assign rents, production payments, streams of revenue related to royalty interest owned by the board members to the District. The assignment will terminate once the value of the assignment reaches \$5,000,000, or September 28, 2020. The assignment may also terminate upon recordation of a reassignment of royalty interest provided in the advance and reimbursement agreement. The funds received under the terms of the assignment are recorded as developer advances in the District's financial statements and are used for public infrastructure funding.

For the year ended December 31, 2020, the District did not receive any amount under the terms of the assignment.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, injuries to employees, and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool (“Pool”). The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool.

The District funds pool contributions, outside insurance purchases, deductible, and uninsured losses through the General Fund. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 9: DEBT AUTHORIZATION

On May 6, 2008, a majority of the qualified electors of the District authorized the issuance of general indebtedness as follows:

- An amount not to exceed \$90,000,000 at an interest rate not to exceed 12% per annum, for providing public improvements; and
- An amount not to exceed \$90,000,000 at an interest rate not to exceed 12% per annum, for Service Plan purposes.

As of December 31, 2020, the amount of debt authorized but unissued was \$63,430,000 by Berthoud-Heritage Metropolitan District No.1. The total debt issuance limit for all Districts combined is \$90,000,000. The District intends to issue over time a part or all 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.

NOTE 10: COMMITMENTS AND CONTINGENCIES

TABOR Amendment (“Amendment”) - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2020, an emergency reserve of \$78,600 was recorded as a restriction of fund balance in the General Fund.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 11: DEFICIT NET POSITION

As of December 31, 2020, the District had a government-wide net position deficit of \$15,078,194. This deficit was created as the District used funding from the Developer to construct capital assets. The District can expect to eliminate the deficit net position as the District pays down its debt.

NOTE 12: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 28, 2021. It was determined that the following event is required to be disclosed through this date.

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REQUIRED SUPPLEMENTAL INFORMATION

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2020

	2020				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2019 ACTUAL
REVENUES					
Service Fees	\$ 218,406	\$ 218,406	\$ 221,781	\$ 3,375	\$ 57,895
Development and O&M Fees	458,000	458,000	742,753	284,753	342,904
Non-Potable Water System Fee	250,000	250,000	709,923	459,923	271,926
Non-Potable Water Meter Fee	110,000	110,000	201,911	91,911	106,964
Non-Potable Water Service Fee	85,000	85,000	16,039	(68,961)	-
Raw Water System Fee	250,000	250,000	645,500	395,500	168,750
Interest and Other	45,500	45,500	69,247	23,747	21,321
TOTAL REVENUES	<u>1,416,906</u>	<u>1,416,906</u>	<u>2,607,154</u>	<u>1,190,248</u>	<u>969,760</u>
EXPENDITURES					
Current					
General Government					
Accounting and Administration	88,840	88,840	118,393	(29,553)	75,250
District Management	112,560	112,560	146,197	(33,637)	83,576
Covenant Enforcement	23,280	23,280	31,680	(8,400)	19,981
District Engineer	15,000	15,000	2,890	12,110	9,254
Reservoir Lease	140,000	140,000	-	140,000	60,000
Insurance	30,000	30,000	55,493	(25,493)	10,249
Legal Expenses	65,000	65,000	105,243	(40,243)	53,475
Landscape Maintenance	31,500	31,500	47,405	(15,905)	75
Snow Removal	47,250	47,250	52,775	(5,525)	-
Capital Outlay - Equipment	20,000	20,000	11,175	8,825	69,078
Hardscapes	10,000	10,000	-	10,000	-
Non-Potable Water Services	47,250	47,250	31,688	15,562	-
Security	55,000	55,000	-	55,000	-
Title	10,680	10,680	20,040	(9,360)	15,928
Arc Reviews	35,500	35,500	51,650	(16,150)	-
Utilities	50,000	50,000	1,916	48,084	17,400
Rookery Golf Access	39,000	39,000	59,180	(20,180)	44,987
Office, Dues and Other	16,680	16,680	46,511	(29,831)	19,039
Contingency	50,000	50,000	-	50,000	-
TOTAL EXPENDITURES	<u>887,540</u>	<u>887,540</u>	<u>782,236</u>	<u>105,304</u>	<u>478,292</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>529,366</u>	<u>529,366</u>	<u>1,824,918</u>	<u>1,295,552</u>	<u>491,468</u>
OTHER FINANCING SOURCES (USES)					
Payment to No. 3 for Debt	(272,000)	(272,000)	-	272,000	-
Transfer to Reservoir Fund	-	-	(89,807)	(89,807)	(91,167)
Transfer to Facility Operation Fund	-	(103,000)	-	103,000	-
Transfer to Capital Projects Fund	-	-	(129,331)	(129,331)	(507,060)
Developer Advances	480,000	480,000	-	(480,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>208,000</u>	<u>105,000</u>	<u>(219,138)</u>	<u>(324,138)</u>	<u>(598,227)</u>
NET CHANGE IN FUND BALANCE	737,366	634,366	1,605,780	971,414	(106,759)
FUND BALANCE, Beginning	<u>823,187</u>	<u>823,187</u>	<u>551,730</u>	<u>(271,457)</u>	<u>658,489</u>
FUND BALANCE, Ending	<u>\$ 1,560,553</u>	<u>\$ 1,457,553</u>	<u>\$ 2,157,510</u>	<u>\$ 699,957</u>	<u>\$ 551,730</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2020

	2020			VARIANCE	2019
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Interest & Other	\$ 103,500	\$ 30,000	\$ 26,463	\$ (3,537)	\$ 174,257
TOTAL REVENUES	103,500	30,000	26,463	(3,537)	174,257
EXPENDITURES					
Current					
General Government	3,500	20,000	100,000	(80,000)	75,000
Capital Outlay	7,495,000	9,230,874	8,042,900	1,187,974	34,895,574
Contingency	664,593	-	-	-	-
TOTAL EXPENDITURES	8,163,093	9,250,874	8,142,900	1,107,974	34,970,574
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,059,593)	(9,220,874)	(8,116,437)	1,104,437	(34,796,317)
OTHER FINANCING SOURCES(USES)					
Note Proceeds	150,000	1,000,000	-	(1,000,000)	19,834,419
Bond Proceeds	-	-	-	-	26,570,000
Bond Issuance Costs	-	-	-	-	(834,352)
Payment to No.4	-	-	-	-	(400,000)
Transfer to Debt Service Fund	-	-	-	-	(6,835,648)
Transfer from General Fund	-	63,778	129,331	65,553	507,060
Proceeds from Developer Advances	170,000	170,000	-	(170,000)	4,350,000
Repayment of Developer Advances	-	(13,788)	(13,778)	10	(394,278)
TOTAL OTHER FINANCING SOURCES	320,000	1,219,990	115,553	(1,104,437)	42,797,201
NET CHANGE IN FUND BALANCE	(7,739,593)	(8,000,884)	(8,000,884)	-	8,000,884
FUND BALANCE, Beginning	7,739,593	8,000,884	8,000,884	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -	\$ 8,000,884

See the accompanying independent auditors' report.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2020

	2020		VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Interest & Other	\$ 50,000	\$ 39,882	\$ (10,118)	\$ 96,901
TOTAL REVENUES	<u>50,000</u>	<u>39,882</u>	<u>(10,118)</u>	<u>96,901</u>
EXPENDITURES				
Current				
Trustee Fees	3,500	3,500	-	-
Interest Payment - 2019A Bonds	1,494,563	1,494,562	1	954,859
Contingency	5,000	-	5,000	-
TOTAL EXPENDITURES	<u>1,503,063</u>	<u>1,498,062</u>	<u>5,001</u>	<u>954,859</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,453,063)</u>	<u>(1,458,180)</u>	<u>(5,117)</u>	<u>(857,958)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from District No. 2	\$ 376,753	\$ 382,539	\$ 5,786	\$ 66,390
Transfer from District No. 4	104,003	105,168	1,165	37,522
Transfer from District No. 6	65,413	67,914	2,501	42,443
Transfer from District No. 8	82,719	84,143	1,424	21,615
Transfer from Capital Project Fund	-	-	-	6,835,648
TOTAL OTHER FINANCING SOURCES (USES)	<u>628,888</u>	<u>639,764</u>	<u>10,876</u>	<u>7,003,618</u>
NET CHANGE IN FUND BALANCE	(824,175)	(818,416)	5,759	6,145,660
FUND BALANCE, Beginning	-	6,145,660	6,145,660	-
FUND BALANCE, Ending	<u>\$ (824,175)</u>	<u>\$ 5,327,244</u>	<u>\$ 6,151,419</u>	<u>\$ 6,145,660</u>

See the accompanying independent auditors' report.

BERTHOUD-HERITAGE METROPOLITAN DISTRICT NO. 1

RESERVOIR FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2020

	2020			VARIANCE Positive (Negative)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Charges for Services	\$ -	\$ 67,000	\$ 65,686	\$ (1,314)
Interest and Other Income	-	1,000	-	(1,000)
TOTAL REVENUES	-	68,000	65,686	(2,314)
EXPENDITURES				
Current				
Payroll	-	27,989	45,803	(17,814)
Operations	-	55,000	38,242	16,758
Reservoir Lease	-	140,000	62,778	77,222
Capital Outlay	-	-	8,670	(8,670)
TOTAL EXPENDITURES	-	222,989	155,493	67,496
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(154,989)	(89,807)	65,182
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	-	154,989	89,807	(65,182)
TOTAL OTHER FINANCING SOURCES (USES)	-	154,989	89,807	(65,182)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.