

Berthoud-Heritage Metropolitan District No. 1


**Financial Statements
December 31, 2021**


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1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

Independent Auditor's Report

To the Board of Directors and Management
Berthoud-Heritage Metropolitan District No. 1
Berthoud, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Berthoud-Heritage Metropolitan District No. 1, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of Berthoud-Heritage Metropolitan District No. 1, as of December 31, 2021, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Berthoud-Heritage Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berthoud-Heritage Metropolitan District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Berthoud-Heritage Metropolitan District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berthoud-Heritage Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

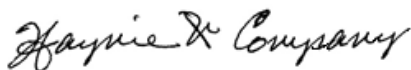
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial 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 Berthoud-Heritage Metropolitan District No. 1's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Littleton, Colorado
September 19, 2022

BASIC FINANCIAL STATEMENTS

Berthoud-Heritage Metropolitan District No. 1
Statement of Net Position
December 31, 2021

Assets	Governmental Activities
Cash and investments	\$ 1,319,032
Restricted cash and investments	4,681,642
Accounts receivable	151,926
Due from other districts	209,534
Prepaid expense	184,856
Capital Assets, net of depreciation	38,852,088
Total assets	\$ 45,399,078
Liabilities	
Accounts payable	\$ 291,427
Accrued payroll	2,221
Unearned revenues	9,280
Deposits	177,135
Accrued interest	5,420,207
Non-current liabilities:	
Due within one year	29,408,311
Due in more than one year	26,570,000
Total liabilities	61,878,581
Net Position	
Net investment in capital assets	12,282,088
Restricted for:	
Emergency	39,511
Capital projects	576,081
Debt service	4,678,522
Unrestricted	(34,055,705)
Total Net Position	(16,479,503)
Total Liabilities and Net Position	\$ 45,399,078

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

Berthoud-Heritage Metropolitan District No. 1
Statement of Activities
For the Year Ended December 31, 2021

<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 and other fees</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 2,027,953	\$ 2,804,994	\$ -	\$ -	\$ 777,041
Interest and related costs on long term debt	<u>3,169,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,169,349)</u>
	<u>\$ 5,197,302</u>	<u>\$ 2,804,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,392,308)</u>
General revenues:					
Interest and other revenues					\$ 143,654
Transfers to other districts					<u>847,346</u>
Total general revenues					<u>991,000</u>
Change in net position					(1,401,308)
Net position - beginning of year					<u>(15,078,195)</u>
Net position - end of year					<u>\$ (16,479,503)</u>

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

Berthoud-Heritage Metropolitan District No. 1
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Facilities Operations</u>	<u>Reservoir</u>	<u>Total Governmental Funds</u>
Assets						
Cash and investments	\$ 628,076	\$ 580,956	\$ -	\$ 110,000	\$ -	\$ 1,319,032
Restricted cash and investments	7,000	-	4,674,642	-	-	4,681,642
Accounts Receivable	148,046	-	3,880	-	-	151,926
Due from other districts	209,534	-	-	-	-	209,534
Prepaid expense	184,856	-	-	-	-	184,856
Total assets	<u>\$ 1,177,512</u>	<u>\$ 580,956</u>	<u>\$ 4,678,522</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 6,546,990</u>
Liabilities						
Accounts payable	\$ 286,552	\$ 4,875	\$ -	\$ -	\$ -	\$ 291,427
Accrued payroll	2,221	-	-	-	-	2,221
Unearned revenues	9,280	-	-	-	-	9,280
Deposits	177,135	-	-	-	-	177,135
Total liabilities	<u>475,188</u>	<u>4,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,063</u>
Fund Balances						
Nonspendable	184,856	-	-	-	-	184,856
Restricted:						
Emergencies reserve	39,511	-	-	-	-	39,511
Capital projects	-	576,081	-	-	-	576,081
Debt Service	-	-	4,678,522	-	-	4,678,522
Committed for facility operations	100,000	-	-	-	-	100,000
Unassigned	377,957	-	-	110,000	-	487,957
Total Fund Balances	<u>702,324</u>	<u>576,081</u>	<u>4,678,522</u>	<u>110,000</u>	<u>-</u>	<u>6,066,927</u>
Total Liabilities and Fund Balances	<u>\$ 1,177,512</u>	<u>\$ 580,956</u>	<u>\$ 4,678,522</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 6,546,990</u>

Total governmental fund balance per above \$ 6,066,927

Amounts reported for governmental activities in the Statement of Net Position excluded from the governmental fund balance because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 38,852,088

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Bonds payable	(26,570,000)
Notes payable	(19,834,419)
Developer advances	(9,573,892)
Accrued interest	(5,420,207)
Net position of governmental activities	<u>\$ (16,479,503)</u>

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

Berthoud-Heritage Metropolitan District No. 1
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Facilities Operations</u>	<u>Reservoir</u>	<u>Total Governmental Funds</u>
Revenues						
Charges for services	\$ 284,170	\$ -	\$ -	\$ 289,000	\$ 118,415	\$ 691,585
Development and O&M fees	1,052,407	-	-	-	-	1,052,407
Non-potable water system fees	-	442,648	-	-	-	442,648
Non-potable water meter fees	-	233,464	-	-	-	233,464
Raw water system fees	-	356,750	-	-	-	356,750
Non-potable water service fees	28,140	-	-	-	-	28,140
Interest and other income	141,679	-	1,975	-	-	143,654
Total Revenues	<u>1,506,396</u>	<u>1,032,862</u>	<u>1,975</u>	<u>289,000</u>	<u>118,415</u>	<u>2,948,648</u>
Expenditures						
Current						
General government	1,285,268	103,608	3,500	129,198	204,522	1,726,096
Capital outlay	31,773	17,650	-	223,179	-	272,602
Debt service						
Principal	-	1,323,944	-	-	-	1,323,944
Interest	-	396,615	1,494,563	-	-	1,891,178
Total Expenditures	<u>1,317,041</u>	<u>1,841,817</u>	<u>1,498,063</u>	<u>352,377</u>	<u>204,522</u>	<u>5,213,820</u>
Excess of revenues over (under) expenditures	189,355	(808,955)	(1,496,088)	(63,377)	(86,107)	(2,265,172)
Other financing sources (uses)						
Transfers to/from other districts	-	-	847,346	-	-	847,346
Interfund transfers	(1,644,541)	1,385,036	21	173,377	86,107	-
Total other financing sources (uses)	<u>(1,644,541)</u>	<u>1,385,036</u>	<u>847,367</u>	<u>173,377</u>	<u>86,107</u>	<u>847,346</u>
Net change in fund balances	(1,455,186)	576,081	(648,721)	110,000	-	(1,417,826)
Fund balances:						
Beginning of the year	<u>2,157,510</u>	<u>-</u>	<u>5,327,243</u>	<u>-</u>	<u>-</u>	<u>7,484,753</u>
End of the year	<u>\$ 702,324</u>	<u>\$ 576,081</u>	<u>\$ 4,678,522</u>	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 6,066,927</u>

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

Berthoud-Heritage Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

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

Net change in fund balance—total governmental funds	\$ (1,417,826)
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure; however, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets to other Districts is reported as an expense.

Depreciation	(29,255)
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Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.

Repayment of Developer advances	1,323,944
Accrued Interest - Change in Liability	<u>(1,278,171)</u>

Change in net position of governmental activities	<u>\$ (1,401,308)</u>
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The accompanying notes are an integral part of these financial statements.

Berthoud-Heritage Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Charges for services	\$ 276,716	\$ 276,716	\$ 284,170	\$ 7,454
Development and O&M fees	689,150	689,150	1,052,407	363,257
Non-potable water system fees	345,443	345,443	-	(345,443)
Non-potable water meter fees	118,107	118,107	-	(118,107)
Raw water system fees	345,443	345,443	-	(345,443)
Non-potable water service fees	85,000	85,000	28,140	(56,860)
Interest and other income	2,500	2,500	141,679	139,179
Total Revenue	<u>1,862,359</u>	<u>1,862,359</u>	<u>1,506,396</u>	<u>(355,963)</u>
Expenditures				
Accounting and administration	152,200	152,200	151,314	886
District management	141,360	141,360	187,800	(46,440)
Covenant enforcement	27,360	27,360	29,610	(2,250)
District Engineer	5,000	5,000	2,001	2,999
Insurance	77,134	77,134	73,579	3,555
Legal	100,000	100,000	105,589	(5,589)
Landscape Maintenance	106,729	106,729	107,041	(312)
Snow removal	160,094	160,094	172,877	(12,783)
Capital outlay - equipment	12,000	12,000	31,773	(19,773)
Hardscapes	10,000	10,000	3,102	6,898
Non-potable water services	143,152	143,152	174,559	(31,407)
Security	75,000	75,000	-	75,000
Title	24,480	24,480	21,736	2,744
ARC reviews	34,500	34,500	133,353	(98,853)
Utilities	50,000	50,000	18,400	31,600
Rookery golf access	42,900	42,900	75,724	(32,824)
Office, dues and other	9,600	9,600	28,583	(18,983)
Contingency	50,000	210,311	-	210,311
Total Expenditures	<u>1,221,509</u>	<u>1,381,820</u>	<u>1,317,041</u>	<u>64,779</u>
Excess Revenue Over (Under)				
Expenditures	<u>640,850</u>	<u>480,539</u>	<u>189,355</u>	<u>(291,184)</u>
Other financing sources (uses)				
Transfer from Capital Projects Fund	-	-	174,538	174,538
Transfer to Reservoir Fund	(174,275)	(174,275)	(86,107)	88,168
Transfer to Facility Operation Fund	(90,000)	(90,000)	(173,377)	(83,377)
Transfer to Capital Projects Fund	(2,889,770)	(2,064,247)	(1,559,595)	504,652
Developer advances	450,000	-	-	-
Total other financing sources (uses)	<u>(2,704,045)</u>	<u>(2,328,522)</u>	<u>(1,644,541)</u>	<u>683,981</u>
Net change in fund balances	(2,063,195)	(1,847,983)	(1,455,186)	(291,184)
Fund Balances—Beginning of year	<u>2,328,515</u>	<u>2,328,515</u>	<u>2,157,510</u>	<u>(171,005)</u>
Fund Balances—End of Year	<u>\$ 265,320</u>	<u>\$ 480,532</u>	<u>\$ 702,324</u>	<u>\$ (462,189)</u>

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

Berthoud-Heritage Metropolitan District No. 1

Notes to Financial Statements

December 31, 2021

1. Definition of Reporting Entity

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.

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.

2. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the governmental activities of the District.

The statement of net activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2021, the District has five Governmental Funds:

- *The General Fund* is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,
- *The Capital Projects Fund* is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays,
- *The Debt Service Fund* is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal, interest, and other debt-related costs,
- *The Facilities Operations Fund* is used to account for the activities related to the District's facilities operations,
- *The Reservoir Fund* is used to account for the activities related to the District's reservoir operations.

Deposits

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and investment flexibility. As applicable, investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Receivables

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

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2021, does not differ materially from the aggregate carrying values used in the accompanying financial statements.

The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

Use of Estimates

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates which affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

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 Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (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.

Fund Equity

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

The following classifications describe the relative strength of the spending constraints:

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

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

Net Position

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets - consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District will use the most restrictive net position first.

3. Budget Information

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year-end.

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

4. Cash and Investments

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

Statement of net position:

Cash and investments	\$ 1,319,032
Cash and investments - restricted	<u>4,681,642</u>
Total cash and investments	<u>\$ 6,000,674</u>

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

Cash deposits	\$ 785,433
Investments	<u>5,215,241</u>
Total cash and investments	<u>\$ 6,000,674</u>

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.

As of December 31, 2021, the District's cash deposits had a carrying balance of \$785,433 and bank balance of \$785,433, of which \$390,799 was FDIC insured.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents pertain to the amount of cash and cash equivalents equal to the emergency reserve in the general fund and cash held within the Debt Service Fund.

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 Financial Statements (continued)
December 31, 2021

4. Cash and Investments

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 \$5,215,241 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 Financial Statements (continued)
December 31, 2021

5. Capital Assets

The following is an analysis of changes in capital assets for the year ending December 31, 2021:

	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021
Governmental Activities:				
Capital assets, not depreciated				
Infrastructure in progress	\$ 38,619,355	\$ -	\$ -	\$ 38,619,355
Total capital assets, not depreciated	38,619,355	-	-	38,619,355
Capital assets, depreciated				
Buildings	219,956	-	-	219,956
Machinery & equipment	75,077	-	-	75,077
Total capital assets, depreciated	295,033	-	-	295,033
Accumulated depreciation	(33,045)	(29,255)	-	(62,300)
Total capital assets, depreciated	261,988	(29,255)	-	232,733
Capital assets, net	\$ 38,881,343	\$ (29,255)	\$ -	\$ 38,852,088

6. Long-Term Liabilities

The following is an analysis of changes in long-term liabilities for the year ending December 31, 2021:

	Balance at December 31, 2020	Additions	Retirements	Balance at December 31, 2021	Due Within One Year
<u>Direct placements:</u>					
Bonds, Series 2019	\$ 26,570,000	\$ -	\$ -	\$ 26,570,000	\$ -
<u>Direct borrowings and long-term liabilities:</u>					
Note Payable, Series 2019	19,834,419	-	-	19,834,419	19,834,419
Developer note, capital	10,114,636	-	(1,323,944)	8,790,692	8,790,692
Developer note, operating	783,200	-	-	783,200	783,200
Total	\$ 57,302,255	\$ -	\$ (1,323,944)	\$ 55,978,311	\$ 29,408,311

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

6. Long-Term Liabilities (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 Notes mature on October 12, 2022.

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 October 12, 2022.

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 October 12, 2022.

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

6. Long-Term Liabilities (continued)

The following is an analysis of changes in long-term liabilities for the year ending December 31, 2021:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	100,000	1,221,562	1,321,562
2027-2031	2,190,000	7,253,440	9,443,440
2032-2036	3,930,000	6,422,344	10,352,344
2037-2041	5,735,000	5,125,222	10,860,222
2042-2046	8,165,000	3,254,626	11,419,626
2047-2048	6,450,000	914,530	7,364,530
Totals	<u>\$ 26,570,000</u>	<u>\$ 30,169,972</u>	<u>\$ 56,739,972</u>

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.

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.

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

6. Long-Term Liabilities (continued)

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 8 – 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.

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, 2021, 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.

7. Net Position

As of December 31, 2021, the District had a government-wide net position deficit of \$16,850,903. 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.

8. 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 and operating advances as of December 31, 2021 in the amount of \$9,573,892 and accrued interest on the outstanding debt in the amount of \$5,420,207.

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

8. Related Parties (continued)

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, 2021, the District did not receive any amount under the terms of the assignment.

9. Risk Management

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2021. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials' liability, boiler, and other coverage to its members.

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

10. Tax, Spending and Debt Limitations

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

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

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.

Berthoud-Heritage Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2021

10. Tax, Spending and Debt Limitations (continued)

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

Supplementary Information

Berthoud-Heritage Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Capital advances	\$ 153,000	\$ -	\$ (153,000)
Charges for services	-	1,032,862	1,032,862
Note proceeds	3,090,328		(3,090,328)
Interest and other	2,000	-	(2,000)
Total Revenue	3,245,328	1,032,862	(2,212,466)
Expenditures:			
General government	100,000	103,608	(3,608)
Repayment of developer note	2,889,770	1,720,559	1,169,211
Capital outlay	2,895,328	17,650	2,877,678
Contingency	250,000	-	250,000
Total Expenditures	6,135,098	1,841,817	4,293,281
Excess of revenues over (under) expenditures	(2,889,770)	(808,955)	2,080,815
Other financing sources (uses)			
Transfers from General Fund	2,889,770	1,385,036	(1,504,734)
Total other financing sources (uses)	2,889,770	1,385,036	(1,504,734)
Net change in fund balance	-	576,081	576,081
Fund Balance—Beginning of year	-	-	-
Fund Balance—End of Year	\$ -	\$ 576,081	\$ 576,081

Berthoud-Heritage Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Interest and other	\$ 50,000	\$ 1,975	\$ (48,025)
Total Revenue	50,000	1,975	(48,025)
Expenditures:			
General government	3,500	3,500	-
Interest payments	1,494,563	1,494,563	-
Contingency	5,000	-	5,000
Total Expenditures	1,503,063	1,498,063	5,000
Excess Revenue Over (Under)			
Expenditures	(1,453,063)	(1,496,088)	(43,025)
Other financing sources (uses)			
Transfer from Capital Projects Fund	-	21	21
Transfer from District No. 2	483,958	495,863	11,905
Transfer from District No. 4	104,372	106,077	1,705
Transfer from District No. 6	144,901	151,418	6,517
Transfer from District No. 8	90,265	93,988	3,723
Total other financing sources (uses)	823,496	847,367	23,871
Net change in fund balances	(629,567)	(648,721)	(19,154)
Fund Balance—Beginning of year	5,328,777	5,327,243	(1,534)
Fund Balance—End of Year	\$ 4,699,210	\$ 4,678,522	\$ (20,688)

Berthoud-Heritage Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Facilities Operations Fund
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Charges for services	\$ 65,000	\$ 289,000	\$ 224,000
Total Revenue	<u>65,000</u>	<u>289,000</u>	<u>224,000</u>
Expenditures:			
General government	60,000	129,198	(69,198)
Capital outlay	<u>-</u>	<u>223,179</u>	<u>(223,179)</u>
Total Expenditures	<u>60,000</u>	<u>352,377</u>	<u>(292,377)</u>
Excess of revenues over (under) expenditures	<u>5,000</u>	<u>(63,377)</u>	<u>(68,377)</u>
Other financing sources (uses)			
Transfers from General Fund	<u>90,000</u>	<u>173,377</u>	<u>83,377</u>
Total other financing sources (uses)	<u>90,000</u>	<u>173,377</u>	<u>83,377</u>
Net change in fund balance	<u>95,000</u>	<u>110,000</u>	<u>15,000</u>
Fund Balance—Beginning of year	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Fund Balance—End of Year	<u>\$ 195,000</u>	<u>\$ 110,000</u>	<u>\$ (85,000)</u>

Berthoud-Heritage Metropolitan District No. 1
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Reservoir Fund
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Charges for services	\$ 210,525	\$ 118,415	\$ (92,110)
Total Revenue	<u>210,525</u>	<u>118,415</u>	<u>(92,110)</u>
Expenditures:			
General government	384,800	204,522	180,278
Total Expenditures	<u>384,800</u>	<u>204,522</u>	<u>180,278</u>
Excess of revenues over (under) expenditures	<u>(174,275)</u>	<u>(86,107)</u>	<u>88,168</u>
Other financing sources (uses)			
Transfers from General Fund	174,275	86,107	(88,168)
Total other financing sources (uses)	<u>174,275</u>	<u>86,107</u>	<u>(88,168)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>