

**Berthoud-Heritage Metropolitan District No. 9**


**Financial Statements  
December 31, 2021**


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## Independent Auditor's Report

To the Board of Directors and Management  
Berthoud-Heritage Metropolitan District No. 9  
Berthoud, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Berthoud-Heritage Metropolitan District No. 9, 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. 9, 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. 9 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. 9'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.



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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. 9'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. 9'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**

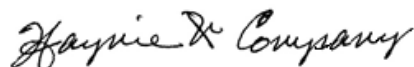
##### *Required Supplementary Information*

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. 9'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. 9**  
**Statement of Net Position**  
**December 31, 2021**

<b>Assets</b>	<b>Governmental Activities</b>
Cash and investments	\$ 255,327
Accounts receivable	160,128
Prepaid expenses	4,423
Property taxes receivable	589
Capital Assets, net of depreciation	9,079,932
Total assets	\$ 9,500,399
<b>Liabilities</b>	
Accounts payable	\$ 125,000
Due to other districts	209,534
Unearned revenues	27,876
Accrued interest	2,296,725
Non-current liabilities:	
Due in more than one year	9,869,051
Total liabilities	12,528,186
<b>Deferred Inflows of Resources</b>	
Deferred property taxes	589
Total deferred inflows of resources	589
<b>Net Position</b>	
Net investment in capital assets	(789,119)
Restricted for:	
Emergency	3,474
Capital projects	53,045
Unrestricted	(2,295,776)
Total Net Position	(3,028,376)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 9,500,399

The accompanying notes are an integral part of these financial statements

**Berthoud-Heritage Metropolitan District No. 9**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services and other fees</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>
					<b>Governmental Activities</b>
Primary government:					
Governmental activities:					
General government	\$ 364,571	\$ 868,340	\$ -	\$ -	\$ 503,769
Interest and related costs on long term debt	517,995	-	-	-	(517,995)
	<u>\$ 882,566</u>	<u>\$ 868,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,226)</u>
General revenues:					
Property taxes					\$ 1,666
Specific ownership taxes					127
Interest and other income					96
Total general revenues					1,889
Change in net position					(12,337)
Net position - beginning of year					(3,016,039)
Net position - end of year					<u>\$ (3,028,376)</u>

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

**Berthoud-Heritage Metropolitan District No. 9**  
**Governmental Funds Balance Sheet**  
**and Reconciliation of Fund Balances to Net Position**  
**December 31, 2021**

<b>Assets</b>	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 202,282	\$ 53,045	\$ 255,327
Accounts Receivable	35,128	125,000	160,128
Prepaid expenses	4,423	-	4,423
Property taxes receivable	589	-	589
Total assets	<u>\$ 242,422</u>	<u>\$ 178,045</u>	<u>\$ 420,467</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 125,000	\$ 125,000
Due to other districts	209,534	-	209,534
Unearned revenues	27,876	-	27,876
Total liabilities	<u>237,410</u>	<u>125,000</u>	<u>362,410</u>
<b>Deferred Inflows of Resources</b>			
Deferred property taxes	589	-	589
Total deferred inflows of resources	<u>589</u>	<u>-</u>	<u>589</u>
<b>Fund Balances</b>			
Nonspendable	4,423	-	4,423
Restricted:			
Emergencies reserve	3,474	-	3,474
Capital projects	-	53,045	53,045
Unassigned	(3,474)	-	(3,474)
Total Fund Balances	<u>4,423</u>	<u>53,045</u>	<u>57,468</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 242,422</u>	<u>\$ 178,045</u>	<u>\$ 420,467</u>

Total governmental fund balance per above \$ 57,468

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.	9,079,932
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	
Developer advances	(9,869,051)
Accrued interest	(2,296,725)
Net position of governmental activities	<u>\$ (3,028,376)</u>

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



**Berthoud-Heritage Metropolitan District No. 9**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2021**

	General	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Property taxes	\$ 1,666	\$ -	\$ 1,666
Specific ownership taxes	127	-	127
Lease income	118,340	750,000	868,340
Interest and other income	96	-	96
Total Revenues	120,229	750,000	870,229
<b>Expenditures</b>			
Current			
Insurance and bonds	4,418	-	4,418
IGA - Town of Berthoud	62,202	-	62,202
Utilities	46,917	-	46,917
District No. 1 services	1,841	-	1,841
Other	428	-	428
Debt service			
Principal	-	750,000	750,000
Total Expenditures	115,806	750,000	865,806
<b>Net change in fund balances</b>	4,423	-	4,423
<b>Fund balances:</b>			
<b>Beginning of the year</b>	-	53,045	53,045
<b>End of the year</b>	\$ 4,423	\$ 53,045	\$ 57,468

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

**Berthoud-Heritage Metropolitan District No. 9**  
**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	\$	4,423
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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		(248,765)
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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		750,000
Accrued Interest - Change in Liability		<u>(517,995)</u>

Change in net position of governmental activities	\$	<u>(12,337)</u>
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The accompanying notes are an integral part of these financial statements.

**Berthoud-Heritage Metropolitan District No. 9**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances—Actual and Budget**  
**Governmental Fund Type—General Fund**  
**For the Year Ended December 31, 2021**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Property taxes	\$ 1,666	\$ 1,666	\$ -
Specific ownership taxes	100	127	27
Lease income	122,500	118,340	(4,160)
Interest and other income	100	96	(4)
Total Revenue	<u>124,366</u>	<u>120,229</u>	<u>(4,137)</u>
<b>Expenditures</b>			
Insurance and bonds	5,000	4,418	582
Utilities	62,500	46,917	15,583
IGA - Town of Berthoud	-	62,202	(62,202)
District No. 1 services	1,733	1,841	(108)
Other	33	428	(395)
Water lease payment	55,000	-	55,000
Contingency	100	-	100
Total Expenditures	<u>124,366</u>	<u>115,806</u>	<u>8,560</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>4,423</u>	<u>4,423</u>
<b>Fund Balances—Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances—End of Year</b>	<u>\$ -</u>	<u>\$ 4,423</u>	<u>\$ 4,423</u>

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

# **Berthoud-Heritage Metropolitan District No. 9**

## **Notes to Financial Statements**

### **December 31, 2021**

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#### **1. Definition of Reporting Entity**

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The Berthoud-Heritage Metropolitan District No. 9 (“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 1-8, collectively, “Districts” and was established as the Service District. Berthoud-Heritage Metropolitan District Nos. 1-8 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.

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#### **2. Summary of Significant Accounting Policies**

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##### **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. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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**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 two 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,

**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.

**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.

**Berthoud-Heritage Metropolitan District No. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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**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.

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.

**Berthoud-Heritage Metropolitan District No. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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**Property Taxes**

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable, since they normally are not available nor are they budgeted as a resource until the subsequent year. Property taxes are recorded as revenue in the subsequent year when they are available or collected.

Under the Amended Service Plan, the maximum Debt Mill Levy and maximum Operations and Maintenance Mill Levy of a District shall be the equivalent of 50 mills (based on the 2014 residential assessment rate), respectively. Should the total amount of aggregate debt of a District be equal to or less than 50% of a District's assessed valuation, the maximum Debt Mill Levy, the maximum Operations and Maintenance, and the Maximum Aggregate Mill Levy may each be increased to 60 mills. As of December 31, 2021, the Operations and Maintenance Mill Levy of Districts Nos. 2 through 9 are pledged to District No. 1 and the Debt Mill Levy of Districts Nos. 2, 4, 6 and 8 are pledged to District No. 1.

No District shall have the authority to impose or collect any mill levy for the repayment of any or all debt on any single residential property which exceeds 40 years after the year of initial imposition of a debt service levy, unless the majority of the Board of Directors are residents of the District and the Board of Directors shall have voted in favor of refunding of a part or all of the Debt. At the end of the 40 year term, any and all debt that has not been paid shall be forgiven.

**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.

**Berthoud-Heritage Metropolitan District No. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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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, 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.
- *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.



**Berthoud-Heritage Metropolitan District No. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**3. Budget Information**

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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.

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**4. Cash and Investments**

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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 \$255,327 and bank balance of \$255,327, of which \$5,327 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. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**4. Cash and Investments**

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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 District has no investments as of December 31, 2021.

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**5. Capital Assets**

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

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2021</u>
Governmental Activities:				
Capital assets, depreciated				
Golf course improvements	\$ 9,950,610	\$ -	\$ -	\$ 9,950,610
Total capital assets, depreciated	<u>9,950,610</u>	<u>-</u>	<u>-</u>	<u>9,950,610</u>
Accumulated depreciation	<u>(621,913)</u>	<u>(248,765)</u>	<u>-</u>	<u>(870,678)</u>
Total capital assets, depreciated	<u>\$ 9,328,697</u>	<u>\$ (248,765)</u>	<u>\$ -</u>	<u>\$ 9,079,932</u>

**Berthoud-Heritage Metropolitan District No. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

**6. Long-Term Liabilities**

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

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2021</u>	<u>Due Within One Year</u>
<u>Direct borrowings and long-term liabilities:</u>					
Developer note, capital	9,919,051	700,000	(750,000)	9,869,051	-
Total	<u>\$ 9,919,051</u>	<u>\$ 700,000</u>	<u>\$ (750,000)</u>	<u>\$ 9,869,051</u>	<u>\$ -</u>

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, 2022.

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 6, 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. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**6. Long-Term Liabilities (continued)**

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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 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 \$20,000,000 by Berthoud-Heritage Metropolitan District No.9. 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.

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**7. Net Position**

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As of December 31, 2021, the District had a government-wide net position deficit of \$2,295,776. 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.

**Berthoud-Heritage Metropolitan District No. 9**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**8. Related Parties**

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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, 2021 in the amount of \$9,869,051 and accrued interest on the outstanding debt in the amount of \$2,296,725.

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**9. Risk Management**

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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.

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**10. Tax, Spending and Debt Limitations**

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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.

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. 9**  
**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**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue:</b>			
Lease income	\$ 109,273	\$ 750,000	\$ 640,727
Total Revenue	<u>109,273</u>	<u>750,000</u>	<u>640,727</u>
<b>Expenditures:</b>			
Repayment of developer note	109,273	750,000	(640,727)
Capital outlay	<u>1,050,000</u>	<u>-</u>	<u>1,050,000</u>
Total Expenditures	<u>1,159,273</u>	<u>750,000</u>	<u>409,273</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(1,050,000)</u>	<u>-</u>	<u>1,050,000</u>
<b>Other financing sources (uses)</b>			
Developer advances	50,000		(50,000)
Note proceeds	<u>1,000,000</u>	<u>-</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>1,050,000</u>	<u>-</u>	<u>(1,050,000)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance—Beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance—End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>