

**HIDDEN VALLEY FARM
METROPOLITAN DISTRICT NO. 1
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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YEAR ENDED DECEMBER 31, 2020**

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Independent Auditor's Report

Board of Directors
Hidden Valley Farm Metropolitan District No. 1
Weld County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,



Wipfli LLP
Lakewood, Colorado

September 29, 2021

BASIC FINANCIAL STATEMENTS

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 56,475
Cash and Investments - Restricted	1,915,874
Due from Hidden Valley Farm Metropolitan District No. 2	293
Due from Hidden Valley Farm Metropolitan District No. 4	132
Capital Assets, Net	2,634,859
Total Assets	4,607,633
LIABILITIES	
Accounts Payable	37,885
Due to Hidden Valley Farm Metropolitan District No. 2	797,830
Due to Hidden Valley Farm Metropolitan District No. 4	335,091
Noncurrent Liabilities	
Due in More Than One Year	1,591,112
Total Liabilities	2,761,918
NET POSITION	
Net Investment in Capital Assets	2,528,849
Restricted For:	
Emergency Reserves	4,000
Capital Projects	778,953
Unrestricted	(1,466,087)
Total Net Position	\$ 1,845,715

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General Government, Including Depreciation and Capital	\$ 219,436	\$ 10,950	\$ 9,277,500	\$ -	\$ 9,069,014
Public works - transfer of public improvements to other governments	7,944,340	-	-	-	(7,944,340)
Interest on Long-Term Debt	846,593	-	-	-	(846,593)
Total Government Activities	\$ 9,010,369	\$ 10,950	\$ 9,277,500	\$ -	278,081
CHANGE IN NET POSITION					278,081
Net Position - Beginning of Year					1,567,634
NET POSITION - END OF YEAR					\$ 1,845,715

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 56,475	\$ -	\$ 56,475
Cash and Investments - Restricted	4,000	1,911,874	1,915,874
Due from Hidden Valley Farm Metropolitan District No. 2	293	-	293
Due from Hidden Valley Farm Metropolitan District No. 4	132	-	132
	<u>\$ 60,900</u>	<u>\$ 1,911,874</u>	<u>\$ 1,972,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 37,885	\$ -	\$ 37,885
Due to Hidden Valley Farm Metropolitan District No. 2	-	797,830	797,830
Due to Hidden Valley Farm Metropolitan District No. 4	-	335,091	335,091
Total Liabilities	<u>37,885</u>	<u>1,132,921</u>	<u>1,170,806</u>
FUND BALANCES			
Restricted For:			
Emergencies (TABOR)	4,000	-	4,000
Capital Projects	-	778,953	778,953
Unassigned	19,015	-	19,015
Total Fund Balances	<u>23,015</u>	<u>778,953</u>	<u>801,968</u>
Total Liabilities and Fund Balances	<u>\$ 60,900</u>	<u>\$ 1,911,874</u>	

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

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

Capital Assets, Net 2,634,859

Long-term liabilities, including Developer advance payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable (685,225)
Accrued Interest Payable - Developer Advances (905,887)

Net Position of Governmental Activities \$ 1,845,715

See accompanying Notes to Basic Financial Statements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Capital Projects	Total Governmental Funds
REVENUES			
Setup Fees	\$ 7,500	\$ -	\$ 7,500
Status Letter Fee	1,650	-	1,650
Design Fee	1,800	-	1,800
Intergovernmental Revenue	120,657	9,156,843	9,277,500
Total Revenues	131,607	9,156,843	9,288,450
EXPENDITURES			
Current:			
Accounting	16,460	-	16,460
Audit	7,000	-	7,000
Insurance and Bonds	9,032	-	9,032
Setup Fees	7,500	-	7,500
Status Letter Fee	1,650	-	1,650
Design Fee	1,800	-	1,800
Landscape Maintenance Contract	27,612	-	27,612
Non Potable Water System Maintenance	3,600	-	3,600
Snow Removal	1,892	-	1,892
Landscape Repair and Maintenance	6,161	-	6,161
Electric	6,539	-	6,539
Landscape Water	11,000	-	11,000
Dog Waste Station Maintenance	55	-	55
Fence Maintenance	23,317	-	23,317
Legal	12,482	-	12,482
Management	25,914	-	25,914
Dues and Licenses	336	-	336
Capital Projects:			
Capital Outlay	-	9,156,843	9,156,843
Total Expenditures	162,350	9,156,843	9,319,193
EXCESS OF REVENUES UNDER EXPENDITURES	(30,743)	-	(30,743)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	9,156,843	9,156,843
Repay Developer Advance	-	(9,156,843)	(9,156,843)
Transfer (to) from other Funds	45,000	(45,000)	-
Total Other Financing Sources (Uses)	45,000	(45,000)	-
NET CHANGE IN FUND BALANCES	14,257	(45,000)	(30,743)
Fund Balances - Beginning of Year	8,758	823,953	832,711
FUND BALANCES - END OF YEAR	\$ 23,015	\$ 778,953	\$ 801,968

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (30,743)

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

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. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Capital Outlay	9,156,843
Dedication of Capital Improvements to Other Governments	(7,944,340)
Depreciation Expense	(57,086)

The issuance of long-term debt (e.g., bonds, leases, and the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advance	(9,156,843)
Repay Developer Advance	9,156,843

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Developer Advance - Change in Liability	(846,593)
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Change in Net Position of Governmental Activities	\$ 278,081
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**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Setup Fees	\$ 11,000	\$ 7,500	\$ (3,500)
Status Letter Fee	1,000	1,650	650
Design Fee	3,000	1,800	(1,200)
Intergovernmental Revenue	123,121	120,657	(2,464)
Total Revenues	<u>138,121</u>	<u>131,607</u>	<u>(6,514)</u>
EXPENDITURES			
Current:			
Accounting	17,000	16,460	540
Audit	10,500	7,000	3,500
Insurance and Bonds	7,500	9,032	(1,532)
Setup Fees	11,000	7,500	3,500
Status Letter Fee	1,000	1,650	(650)
Design Fee	3,000	1,800	1,200
Landscape Maintenance Contract	48,000	27,612	20,388
Non Potable Water System Maintenance	4,500	3,600	900
Snow Removal	3,000	1,892	1,108
Landscape Repair and Maintenance	7,300	6,161	1,139
Electric	5,000	6,539	(1,539)
Landscape Water	10,000	11,000	(1,000)
Dog Waste Station Maintenance	1,100	55	1,045
Fence Maintenance	7,800	23,317	(15,517)
Legal	13,000	12,482	518
Management	28,500	25,914	2,586
Dues and Licenses	1,000	336	664
Total Expenditures	<u>179,200</u>	<u>162,350</u>	<u>16,850</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,079)	(30,743)	10,336
OTHER FINANCING SOURCES (USES)			
Transfer to other fund	39,000	45,000	6,000
Total Other Financing Sources (Uses)	<u>39,000</u>	<u>45,000</u>	<u>6,000</u>
NET CHANGE IN FUND BALANCE	(2,079)	14,257	16,336
Fund Balances - Beginning of Year	<u>6,399</u>	<u>8,758</u>	<u>2,359</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 4,320</u></u>	<u><u>\$ 23,015</u></u>	<u><u>\$ 18,695</u></u>

See accompanying Notes to Basic Financial Statements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Hidden Valley Farm Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, which was organized by order and decree of the Weld County District Court on January 8, 2014, and is organized concurrently with Hidden Valley Farm Metropolitan District Nos. 2-4 (collectively the Districts) is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) and the service plan approved by the Town of Severance, Colorado on August 26, 2013. The District serves as the Coordinating District, along with Hidden Valley Farm Metropolitan District Nos 2-4 whom operate as the Financing Districts. The Districts' service area is located in the Town of Severance within Weld County (the County), Colorado.

The Districts were established to provide the financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protections, storm drainage, covenant enforcement and design review services, and parks and recreation facilities.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary government entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

Property Taxes

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Storm Drainage	20 years
Landscaping and parks	40 years

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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.

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 practice to use the most restrictive classification first.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 56,475
Cash and Investments - Restricted	<u>1,915,874</u>
	<u><u>\$ 1,972,349</u></u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 1,972,349
	<u><u>\$ 1,972,349</u></u>

Deposits with Financial Institutions

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 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District had cash deposits and a bank balance of \$1,979,122 and carrying balance of \$1,972,349.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2020, the District had no investments.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance - December 31, 2019	Additions	Decreases	Balance - December 31, 2020
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Streets	\$ -	\$ 4,258,798	\$ 4,258,798	\$ -
Traffic and Safety Protection	-	36,725	36,725	-
Sewer System	-	2,436,268	2,436,268	-
Water System	-	1,212,549	1,212,549	-
Total Capital Assets, Not Being Depreciated	-	7,944,340	7,944,340	-
Capital Assets, Being Depreciated:				
Storm Drainage	144,234	-	-	144,234
Landscaping and Parks	1,388,711	1,212,503	-	2,601,214
Total Capital Assets, Being Depreciated	1,532,945	1,212,503	-	2,745,448
Less Accumulated Depreciation For:				
Storm Drainage	7,212	7,212	-	14,424
Landscaping and Parks	46,291	49,874	-	96,165
Total Accumulated Depreciation	53,503	57,086	-	110,589
Total Capital Assets, Being Depreciated, Net	1,479,442	1,155,417	-	2,634,859
Total Capital Assets	<u>\$ 1,479,442</u>	<u>\$ 9,099,757</u>	<u>\$ 7,944,340</u>	<u>\$ 2,634,859</u>

During 2020, a portion of the capital assets constructed and acquired by the District were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records. There are warranty periods on certain capital assets conveyed to other governments. The District anticipates that the costs, if any, associated with the warranties will be insignificant.

During 2020, depreciation of \$57,086 was charged to the general government function.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2020:

	Balance at December 31, 2019	Additions	Retirements	Balance at December 31, 2020	Due Within One Year
Loans/Notes Payable/Direct Placements:					
Developer Advances - Capital	\$ 642,949	\$ 9,156,843	\$ 9,156,843	\$ 642,949	\$ -
Accrued interest on Developer Advances - Capital	52,000	843,202	-	895,202	-
Developer Advances - Operations	42,276	-	-	42,276	-
Accrued interest on Developer Advances - Operations	7,294	3,391	-	10,685	-
Total Long-Term Obligations	\$ 744,519	\$ 10,003,436	\$ 9,156,843	\$ 1,591,112	\$ -

Developer Advances

The District has entered into Funding and Reimbursement Agreements with Eagle Development Company (Developer) as follows:

Funding and Reimbursement Agreement for Operations and Maintenance Costs

On November 9, 2018, the District entered into an agreement with the Developer. The Developer has agreed to fund the costs of operations and maintenance. Such advances include an interest rate of 8.0% and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements.

On June 30, 2020, the District and the Developer entered into a new agreement and replaced this agreement in its entirety. The Developer has agreed to advance up to \$1,000,000 through June 30, 2021, to fund the costs of operations and maintenance. The agreement is subject to renewal on an annual basis as deemed appropriate by the Developer. Such advances include an interest rate of 2.00% plus the current Federal Reserve Board Prime rate and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This agreement matured on June 30, 2021 and was extended through December 31, 2021. As of December 31, 2020, outstanding principal for operating advances totaled \$42,276 and accrued interest due totaled \$10,685.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances (continued)

Funding and Reimbursement Agreement for Capital Costs

On April 23, 2014, the District entered into an agreement with the Developer. The Developer has agreed to fund the costs of capital projects. Such advances include an interest rate of 8.0% and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues of the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements.

On June 30, 2020, the District and the Developer entered into a new agreement and replaced this agreement in its entirety. The Developer has agreed to advance up to \$40,000,000 through June 30, 2021, to fund the costs of capital projects. The agreement is subject to renewal on an annual basis as deemed appropriate by the Developer. Such advances include an interest rate of 2.00% plus the current Federal Reserve Board Prime rate and are to be reimbursed by the District with the proceeds of any future bond issues or any other available revenues by the District. Any reimbursement is subject to annual appropriation by the District and is contingent upon the District's ability to generate sufficient revenues, after payment of annual operating expenditures and debt service requirements. This agreement matured on June 30, 2021 and was extended through December 31, 2021. As of December 31, 2021, outstanding principal for capital advances totaled \$642,949 and accrued interest due totaled \$895,202.

Authorized Debt

On November 5, 2013, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$640,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2013 Election	Authorization Used	Authorized But Unissued
In-District special Assessment Debt	\$ 40,000,000	\$ -	\$ 40,000,000
Street Improvements	40,000,000	-	40,000,000
Parks and Recreation	40,000,000	-	40,000,000
Sanitation/Storm Sewer	40,000,000	-	40,000,000
Water	40,000,000	-	40,000,000
Transportation	40,000,000	-	40,000,000
Mosquito Control	40,000,000	-	40,000,000
Safety Protection	40,000,000	-	40,000,000
Fire Protection	40,000,000	-	40,000,000
Television Relay and Translation	40,000,000	-	40,000,000
Security	40,000,000	-	40,000,000
Operations and Maintenance Debt	40,000,000	-	40,000,000
Refunding Debt	40,000,000	-	40,000,000
District Intergovernmental Agreements as Debt	40,000,000	-	40,000,000
District Private Agreements as Debt	40,000,000	-	40,000,000
Mortgage	40,000,000	-	40,000,000
Total	<u>\$ 640,000,000</u>	<u>\$ -</u>	<u>\$ 640,000,000</u>

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorization (continued)

As set forth in the District's 2013 Operating Plan, the County has limited the amount of debt to be issued by the District to a total of \$40,000,000 without future approval by the County. The District may levy up to 50.000 mills for debt service and up to 10.000 mills for general operations and administrative expenses due to the on-going operations and maintenance to be undertaken by the District.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. As of December 31, 2020, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 2,634,859
Noncurrent Portion of Long-Term Obligations	(106,010)
Net Investment in Capital Assets	\$ 2,528,849

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 4,000
Capital Projects	778,953
Total Restricted Net Position	\$ 782,953

The District has a deficit in unrestricted net position. The deficit amount is a result of the District being responsible for the repayment of notes and other obligations issued for public improvements.

The unrestricted component of net positions is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 RELATED PARTIES

The members of the Board of Directors of the District are employees, owners of, or otherwise associated with, Eagle Development Company, the Landhuis Company Saint Aubyn Homes, LLC, and Affirmed Financial Services, LLC, holders of the District's outstanding bonds, and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer. Any potential conflicts have been filed in accordance with Colorado Law.

NOTE 8 AGREEMENTS

Master Intergovernmental Agreement

On November 30, 2017, the District entered into a Master Intergovernmental Agreement (IGA) with Hidden Valley Metropolitan District Nos. 2-4. The IGA provides that the District will serve as the service district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. Districts Nos. 2-4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements.

Capital Pledge Agreement

On December 28, 2018, the District entered into a Capital Pledge Agreement (Agreement) with Hidden Valley Metropolitan District Nos. 2, 3, and 4. The Agreement provides that the District will serve as the service district and will be responsible for managing the construction and operation of the facilities and improvements for the Districts. Districts Nos. 2, 3 and 4 will serve as the financing districts and are responsible for providing the funding and tax base needed to support the capital improvements.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property liability. 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 which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 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.

On November 5, 2013, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 10,000,000	\$ 9,156,843	\$ 9,156,843	\$ -
Total Revenues	<u>10,000,000</u>	<u>9,156,843</u>	<u>9,156,843</u>	<u>-</u>
EXPENDITURES				
Capital Projects:				
Capital Outlay	10,000,000	9,156,843	9,156,843	-
Contingency	-	6,314	-	6,314
Total Expenditures	<u>10,000,000</u>	<u>9,163,157</u>	<u>9,156,843</u>	<u>6,314</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>-</u>	<u>(6,314)</u>	<u>-</u>	<u>6,314</u>
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	9,156,843	9,156,843	-
Repay Developer Advance	-	(9,156,843)	(9,156,843)	-
Transfer to other fund	(39,000)	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	<u>(39,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(39,000)	(51,314)	(45,000)	6,314
Fund Balance - Beginning of Year	<u>804,143</u>	<u>823,953</u>	<u>823,953</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 765,143</u>	<u>\$ 772,639</u>	<u>\$ 778,953</u>	<u>\$ 6,314</u>