

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023**

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

INDEPENDENT AUDITOR’S REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	19



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

Independent Auditor's Report

Opinions

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, 2023, 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 accompanying 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, 2023, 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 of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 GAAS 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 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 GAAS, 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 the District'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 the District's ability to continue as a going concern for a reasonable period of time.

We 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 Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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.

Wipfli LLP
Wipfli LLP

Denver, Colorado
September 29, 2024

BASIC FINANCIAL STATEMENTS

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 28,957
Cash and Investments - Restricted	8,000
Accounts Receivable, Net	6,666
Due from Hidden Valley Farm Metropolitan District No. 2	342,243
Due from Hidden Valley Farm Metropolitan District No. 4	333
Capital Assets, Net	<u>6,503,015</u>
Total Assets	<u>6,889,214</u>
LIABILITIES	
Accounts Payable	33,848
Prebilled Fees	176
Noncurrent Liabilities	
Due in More Than One Year	<u>14,292,942</u>
Total Liabilities	<u>14,326,966</u>
NET POSITION	
Net Investment in Capital Assets	4,370,383
Restricted For:	
Emergency Reserves	8,000
Capital Projects	286,389
Unrestricted	<u>(12,102,524)</u>
Total Net Position	<u><u>\$ (7,437,752)</u></u>

See accompanying Notes to Basic Financial Statements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

		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	\$ 519,674	\$ 47,123	\$ 8,647,600	\$ -	\$ 8,175,049
Public works - transfer of public	14,623,911	-	-	-	(14,623,911)
improvements to other governments	2,279,613	-	-	-	(2,279,613)
Interest on Long-Term Debt	<u>2,279,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,279,613)</u>
Total Government Activities	<u>\$ 17,423,198</u>	<u>\$ 47,123</u>	<u>\$ 8,647,600</u>	<u>\$ -</u>	<u>(8,728,475)</u>
GENERAL REVENUES					
					10,396
Net Investment Income					<u>10,396</u>
Total General Revenues					<u>10,396</u>
CHANGE IN NET POSITION					(8,718,079)
					1,280,327
Net Position - Beginning of Year					<u>1,280,327</u>
NET POSITION - END OF YEAR					<u>\$ (7,437,752)</u>

See accompanying Notes to Basic Financial Statements.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 28,957	\$ -	\$ 28,957
Cash and Investments - Restricted	8,000	-	8,000
Accounts Receivable, Net	6,666	-	6,666
Due from Hidden Valley Farm Metropolitan District No. 2	55,854	286,389	342,243
Due from Hidden Valley Farm Metropolitan District No. 4	333	-	333
	<u>\$ 99,810</u>	<u>\$ 286,389</u>	<u>\$ 386,199</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 33,848	\$ -	\$ 33,848
Prebilled Fees	176	-	176
Total Liabilities	<u>34,024</u>	<u>-</u>	<u>34,024</u>
FUND BALANCES			
Restricted For:			
Emergencies (TABOR)	8,000	-	8,000
Capital Projects	-	286,389	286,389
Unassigned	57,786	-	57,786
Total Fund Balances	<u>65,786</u>	<u>286,389</u>	<u>352,175</u>
Total Liabilities and Fund Balances	<u>\$ 99,810</u>	<u>\$ 286,389</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	6,503,015
---------------------	-----------

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	(11,015,729)
Accrued Interest Payable - Developer Advances	(3,277,213)

Net Position of Governmental Activities	<u>\$ (7,437,752)</u>
---	-----------------------

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, 2023

	General	Capital Projects	Total Governmental Funds
REVENUES			
Setup Fees	\$ 39,624	\$ -	\$ 39,624
Covenant Violations	2,349	-	2,349
Design Fee	5,150	-	5,150
Net Investment Income	2	10,394	10,396
Intergovernmental Revenue	217,600	8,430,000	8,647,600
Total Revenues	264,725	8,440,394	8,705,119
EXPENDITURES			
Current:			
Accounting	15,560	-	15,560
Insurance and Bonds	11,789	-	11,789
Setup Fees	33,793	-	33,793
Design Fee	4,825	-	4,825
Landscape Maintenance Contract	88,011	-	88,011
Snow Removal	21,583	-	21,583
Landscape Repair and Maintenance	112,103	-	112,103
Electric	7,679	-	7,679
Landscape Water	20,460	-	20,460
Dog Waste Station Maintenance	1,661	-	1,661
Legal	7,808	-	7,808
Management	66,244	-	66,244
Dues and Licenses	1,281	-	1,281
Capital Projects:			
Cost of Issuance	-	2,926	2,926
Capital Outlay	-	18,760,504	18,760,504
Total Expenditures	392,797	18,763,430	19,156,227
EXCESS OF REVENUES UNDER EXPENDITURES	(128,072)	(10,323,036)	(10,451,108)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	18,760,504	18,760,504
Repay Developer Advance	-	(8,430,000)	(8,430,000)
Transfer (to) from other Funds	187,000	(187,000)	-
Total Other Financing Sources (Uses)	187,000	10,143,504	10,330,504
NET CHANGE IN FUND BALANCES	58,928	(179,532)	(120,604)
Fund Balances - Beginning of Year	6,858	465,921	472,779
FUND BALANCES - END OF YEAR	\$ 65,786	\$ 286,389	\$ 352,175

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, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (120,604)

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	18,760,504
Dedication of Capital Improvements to Other Governments	(14,623,911)
Depreciation Expense	(123,950)

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	(18,760,504)
Repay Developer Advance	8,430,000

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	<u>(2,279,614)</u>
---	--------------------

Change in Net Position of Governmental Activities \$ (8,718,079)

**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, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Setup Fees	\$ 15,000	\$ 39,624	\$ 24,624
Covenant Violations	-	2,349	2,349
Design Fee	4,000	5,150	1,150
Net Investment Income	-	2	2
Intergovernmental Revenue	208,349	217,600	9,251
Total Revenues	<u>227,349</u>	<u>264,725</u>	<u>37,376</u>
EXPENDITURES			
Current:			
Accounting	15,000	15,560	(560)
Audit	12,000	-	12,000
Elections	5,000	-	5,000
Insurance and Bonds	12,000	11,789	211
Setup Fees	15,000	33,793	(18,793)
Design Fee	4,000	4,825	(825)
Landscape Maintenance Contract	82,200	88,011	(5,811)
Non Potable Water System Maintenance	7,500	-	7,500
Snow Removal	6,000	21,583	(15,583)
Landscape Repair and Maintenance	140,000	112,103	27,897
Trash Removal	4,000	-	4,000
Electric	8,000	7,679	321
Landscape Water	20,000	20,460	(460)
Dog Waste Station Maintenance	800	1,661	(861)
Legal	13,000	7,808	5,192
Management	65,300	66,244	(944)
Dues and Licenses	1,200	1,281	(81)
Contingency	1,000	-	1,000
Total Expenditures	<u>412,000</u>	<u>392,797</u>	<u>19,203</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(184,651)	(128,072)	56,579
OTHER FINANCING SOURCES (USES)			
Transfer from other fund	187,000	187,000	-
Total Other Financing Sources (Uses)	<u>187,000</u>	<u>187,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	2,349	58,928	56,579
Fund Balance - Beginning of Year	<u>5,959</u>	<u>6,858</u>	<u>899</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,308</u>	<u>\$ 65,786</u>	<u>\$ 57,478</u>

See accompanying Notes to Basic Financial Statements.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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 intergovernmental revenue. 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, 2023

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, 2023.

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.

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.

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.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 28,957
Cash and Investments - Restricted	8,000
	<u>\$ 36,957</u>

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 36,957
Total	<u>\$ 36,957</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, 2023, the District had cash deposits and a bank balance of \$876,298 and carrying balance of \$36,957.

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 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.

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

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2023, the District had no investments.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance - December 31, 2022	Additions	Decreases	Balance - December 31, 2023
Capital Assets, Not Being Depreciated:				
Construction in Progress:				
Streets	\$ -	\$ 10,354,990	\$ 10,354,990	\$ -
Traffic and Safety Protection	-	197,384	197,384	-
Sewer System	-	2,682,356	2,682,356	-
Water System	-	1,389,181	1,389,181	-
Total Capital Assets, Not Being Depreciated	-	14,623,911	14,623,911	-
Capital Assets, Being Depreciated:				
Storm Drainage	144,234	-	-	144,234
Landscaping and Parks	2,601,214	4,136,592	-	6,737,806
Total Capital Assets, Being Depreciated	2,745,448	4,136,592	-	6,882,040
Less Accumulated Depreciation For:				
Storm Drainage	28,848	7,212	-	36,060
Landscaping and Parks	226,227	116,738	-	342,965
Total Accumulated Depreciation	255,075	123,950	-	379,025
Total Capital Assets, Being Depreciated, Net	2,490,373	4,012,642	-	6,503,015
Total Capital Assets	<u>\$ 2,490,373</u>	<u>\$ 18,636,553</u>	<u>\$ 14,623,911</u>	<u>\$ 6,503,015</u>

During 2023, 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.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS

During 2023, depreciation of \$123,950 was charged to the general government function.

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023	Due Within One Year
Loans/Notes Payable/Direct Placements:					
Developer Advances - Capital	\$ 642,949	\$ 18,760,504	\$ 8,430,000	\$ 10,973,453	\$ -
Accrued interest on Developer Advances - Capital	980,161	2,276,231	-	3,256,392	-
Developer Advances - Operations	42,276	-	-	42,276	-
Accrued interest on Developer Advances - Operations	17,439	3,382	-	20,821	-
Total Long-Term Obligations	\$ 1,682,825	\$ 21,040,117	\$ 8,430,000	\$ 14,292,942	\$ -

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, 2024. As of December 31, 2023, outstanding principal for operating advances totaled \$42,276 and accrued interest due totaled \$20,821.

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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, 2024. As of December 31, 2023, outstanding principal for capital advances totaled \$10,973,453 and accrued interest due totaled \$3,256,392.

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, 2023, 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	\$ 640,000,000	\$ -	\$ 640,000,000

**HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (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, 2023, the District had the following net investment in capital assets, calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 6,503,015
Noncurrent Portion of Long-Term Obligations	(2,132,632)
Net Investment in Capital Assets	\$ 4,370,383

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, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 8,000
Capital Projects	286,389
Total Restricted Net Position	\$ 294,389

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, 2023

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, Tralon 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 INTERFUND TRANSFERS

The transfer from the capital project fund to the general fund was the result of additional funding for operations and maintenance.

NOTE 10 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.

HIDDEN VALLEY FARM METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 RISK MANAGEMENT (CONTINUED)

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.

NOTE 11 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, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ -	\$ 10,394	\$ 10,394	\$ -
Intergovernmental Revenue	8,430,000	8,430,000	8,430,000	-
Total Revenues	<u>8,430,000</u>	<u>8,440,394</u>	<u>8,440,394</u>	<u>-</u>
EXPENDITURES				
Capital Projects:				
Cost of Issuance	-	2,926	2,926	-
Capital Outlay	8,430,000	18,760,504	18,760,504	-
Contingency	-	6,570	-	6,570
Total Expenditures	<u>8,430,000</u>	<u>18,770,000</u>	<u>18,763,430</u>	<u>6,570</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(10,329,606)</u>	<u>(10,323,036)</u>	<u>6,570</u>
OTHER FINANCING SOURCES (USES)				
Developer Advance	8,430,000	18,760,504	18,760,504	-
Repay Developer Advance	(8,430,000)	(8,430,000)	(8,430,000)	-
Transfer to Other Fund	(187,000)	(187,000)	(187,000)	-
Total Other Financing Sources (Uses)	<u>(187,000)</u>	<u>10,143,504</u>	<u>10,143,504</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(187,000)	(186,102)	(179,532)	6,570
Fund Balance - Beginning of Year	<u>187,000</u>	<u>465,921</u>	<u>465,921</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 279,819</u>	<u>\$ 286,389</u>	<u>\$ 6,570</u>