

**NORTH VISTA HIGHLANDS METROPOLITAN
DISTRICT NO.1**

PUEBLO, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2020



Crady, Puca & Associates

Certified Public Accountants & Consultants

**NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
PUEBLO, COLORADO**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Vista Highlands Metropolitan District No. 1
Pueblo, Colorado

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Vista Highlands 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 conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 basic financial statements. The individual fund budgetary comparison schedule on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual budgetary comparison schedules are the responsibility of management and were derived from and relate 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 individual fund budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crady, Puca & Associates

Aurora, Colorado
September 23, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Statement of Net Position
December 31, 2020

	Total Governmental Activities
Assets:	
Cash and investments	\$ 4,241
Intergovernmental receivable	391,639
Developer receivable	6,309
Prepaid	375
Capital assets, non-depreciable	<u>3,954,794</u>
Total assets	<u><u>4,357,358</u></u>
Liabilities:	
Accounts payable	399,105
Accrued interest	5,746
Long-term liabilities:	
Due in more than one year	<u>131,745</u>
Total liabilities	<u><u>536,596</u></u>
Net position:	
Net investment in capital assets	3,954,794
Restricted for emergencies	3,013
Unrestricted	<u>(137,045)</u>
Total net position	<u><u>\$ 3,820,762</u></u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Statement of Activities
For the Year Ended December 31, 2020

	Total Governmental Activities
Expenditures:	
Governmental activities:	
Management and accounting	\$ 7,425
Audit and audit exemption	900
Legal	75,632
Insurance	11,288
Office	1,984
Election	2,162
Interest expense	6,207
Total expenditures	<u>105,598</u>
General Revenues:	
Intergovernmental revenue	4,075,781
Interest income	1
Total general revenues	<u>4,075,782</u>
Change in net position	3,970,184
Net position, beginning of year	<u>(149,422)</u>
Net position, end of year	<u><u>\$ 3,820,762</u></u>

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Balance Sheet
Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 4,241	\$ -	\$ 4,241
Intergovernmental receivable	-	391,639	391,639
Developer receivable	6,309	-	6,309
Prepaid	375	-	375
Total assets	<u>\$ 10,925</u>	<u>\$ 391,639</u>	<u>\$ 402,564</u>
Liabilities:			
Accounts payable	\$ 7,466	\$ 391,639	\$ 399,105
Total liabilities	<u>7,466</u>	<u>391,639</u>	<u>399,105</u>
Fund balance:			
Nonspendable	375	-	375
Restricted for emergencies	3,013	-	3,013
Unassigned	71	-	71
Total fund balance	<u>3,459</u>	<u>-</u>	<u>3,459</u>
Total liabilities and fund balance	<u>\$ 10,925</u>	<u>\$ 391,639</u>	<u>\$ 402,564</u>
Amounts reported for governmental activities in the statement of net position are different because:			
Total fund balance - governmental funds			\$ 3,459
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			3,954,794
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.			<u>(137,491)</u>
Net position of governmental activities			<u>\$ 3,820,762</u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental revenue	\$ -	\$ 4,075,781	\$ 4,075,781
Interest income	1	-	1
Total revenues	<u>1</u>	<u>4,075,781</u>	<u>4,075,782</u>
Expenditures:			
Current:			
General government:			
Management and accounting	7,425	-	7,425
Audit and audit exemption	900	-	900
Legal	75,632	-	75,632
Insurance	11,288	-	11,288
Office	1,984	-	1,984
Election	2,162	-	2,162
Capital outlay:	-	3,874,088	3,874,088
Debt service:			
Principal	-	196,834	196,834
Interest	-	4,859	4,859
Total expenditures	<u>99,391</u>	<u>4,075,781</u>	<u>4,175,172</u>
Excess of revenue over (under) expenditures	<u>(99,390)</u>	<u>-</u>	<u>(99,390)</u>
Other financing sources (uses):			
Developer advance	100,419	-	100,419
Total other financing sources (uses)	<u>100,419</u>	<u>-</u>	<u>100,419</u>
Net change in fund balance	1,029	-	1,029
Fund balance, beginning of year	2,430	-	2,430
Fund balance, end of year	<u>\$ 3,459</u>	<u>\$ -</u>	<u>\$ 3,459</u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

	Total Governmental Funds
	<hr/>
Net change in fund balance of the governmental funds	\$ 1,029
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense.	3,874,088
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of 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.	96,415
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 the governmental funds.	<u>(1,348)</u>
Change in net position of governmental activities	<u><u>\$ 3,970,184</u></u>

The accompanying notes are an integral part of this financial statement.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:				
Design review fees	\$ 2,000	\$ -	\$ -	\$ -
Interest income	-	-	1	1
Total revenues	<u>2,000</u>	<u>-</u>	<u>1</u>	<u>1</u>
Expenditures:				
Current:				
General government:				
Management and accounting	12,500	7,500	7,425	75
Audit and audit exemption	6,500	1,000	900	100
Legal	30,000	80,000	75,632	4,368
Insurance	2,500	11,288	11,288	-
Office	500	2,048	1,984	64
Election	2,000	2,162	2,162	-
Design review fees	2,000	-	-	-
Utilities	1,250	-	-	-
Landscape, grounds and snow removal	6,250	-	-	-
Contingency	2,500	2,500	-	2,500
Total expenditures	<u>66,000</u>	<u>106,498</u>	<u>99,391</u>	<u>7,107</u>
Excess of revenues over (under) expenditures	<u>(64,000)</u>	<u>(106,498)</u>	<u>(99,390)</u>	<u>7,108</u>
Other financing sources (uses):				
Developer advance	64,000	106,498	100,419	(6,079)
Total other financing sources (uses)	<u>64,000</u>	<u>106,498</u>	<u>100,419</u>	<u>(6,079)</u>
Net change in fund balance	-	-	1,029	1,029
Fund balance, beginning of year	<u>1,000</u>	<u>2,431</u>	<u>2,430</u>	<u>(1)</u>
Fund balance, end of year	<u>\$ 1,000</u>	<u>\$ 2,431</u>	<u>\$ 3,459</u>	<u>\$ 1,028</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the North Vista Highlands Metropolitan District No. 1 (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District was formed in November 2018, under State of Colorado Statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article I, Colorado Revised Statutes). The District was organized concurrently with North Vista Highlands Metropolitan District No. 2 to No. 5, collectively referred to as the Districts. The Districts' service area is located in the City of Pueblo, Colorado. The Districts were formed to provide public improvements to be dedicated to the City of Pueblo, Colorado or other governmental entities or retained by the Districts for the use and benefit of the residents and visitors of the Districts.

The District was established as the service district and Districts No. 2 to 5 were established as the financing districts. The District was established to organize, finance, construct, own, manage, and operate the public improvements of the North Vista Highlands Development (Development). The District will be responsible for managing the construction and operations of the public facilities and improvements within the Development. The financing districts will be responsible for financing their respective share of the improvements and associated operations and maintenance.

The District complies with GASB, Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*" and GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate entities for which the officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District has no component units as defined by the GASB.

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

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property and specific ownership taxes.

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

Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues. The District does not have proprietary or fiduciary funds.

The fund financial statements provide information about the government's funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 *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 available if they are collected within 60 days of the end of the current fiscal period except for intergovernmental revenue which is recognized when the expense is incurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following major governmental funds:

General Fund – is the District's primary operating fund. It accounts for all financial resources of the District not accounted for in another fund.

Capital Projects Fund – accounts for all financial resources that are restricted, committed or assigned to expenditures for capital projects, including the acquisition or construction of infrastructure cost or other capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

The District 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 and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and flexibility. As applicable, investment earnings are allocated periodically.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. As of December 31, 2020, the District did not hold any investments required to be reported under fair value.

Receivables

Intergovernmental receivables consist of funds due from District No. 3 for payment of construction costs incurred as of December 31, 2020. See Note 4 for additional information.

Capital Assets

Capital assets, including landscape, trails, and other infrastructure assets (e.g., roads, bridges, sidewalks, water systems, and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Normal maintenance and repairs that do not add value to assets or materially extend the life of assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the capital assets. Depreciation is reported as a current charge in the statement of activities. As of December 31, 2020, the District assets are still being completed, therefore, no depreciation has been taken.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In the current year, the District did not have any items in this reporting category.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time frame. In the current year, the District did not have any items in this reporting category.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which include items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's Board of Directors, the District's highest level of decision-making authority.

Assigned fund balance. This classification reflects the amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds.

The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

The budget and the appropriating resolution are adopted prior to December 31.

2. Stewardship, Compliance, and Accountability (continued)

Budgets and Budgetary Accounting (continued)

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax, and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined 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 also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants, and sales of assets). The District has reserved a portion of its December 31, 2020 year-end fund balance in the General Fund for emergencies as required under TABOR totaling \$3,013, which is the approximate required reserve as of December 31, 2020.

On November 6, 2018, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2020

3. Detailed Notes on the Funds

Deposits and Investments

As of December 31, 2020, the District's deposits and investments consisted of \$4,241 held by financial institutions.

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at a minimum of 102% of the aggregate uninsured deposits.

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

Custodial Credit Risk: As of December 31, 2020, all of the District's deposits were insured by the Federal Deposit Insurance Corporation.

Investments

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

Capital Assets

Capital asset activity for the year ended December 31, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 80,706	\$ 3,874,088	\$ -	\$ 3,954,794
Capital assets not being depreciated	\$ 80,706	\$ 3,874,088	\$ -	\$ 3,954,794

Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings:					
Developer Funding Agreement	\$ 31,326	\$ 100,419	\$ -	\$ 131,745	\$ -
Developer Improvement Agreement	196,834	-	(196,834)	-	-
Governmental activities					
long-term debt	\$ 228,160	\$ 100,419	\$ (196,834)	\$ 131,745	\$ -

3. Detailed Notes on the Funds (continued)

Long-Term Obligations (continued)

Authorized Debt

As of December 31, 2020, the District had total authorized debt of \$1.32 billion including \$240,000,000 for refunding debt, of which \$131,745 has been issued, leaving an authorized but unissued balance of \$1,319,868,255. Under the Service Plan, the Districts have total authorized debt of \$120,000,000, of which \$11,891,745 has been issued by the Districts, leaving an authorized but unissued balance of \$108,108,255.

Developer Debt

2020 Funding and Reimbursement Agreement

On January 1, 2020, the District entered into a 2020 Funding and Reimbursement Agreement (Funding Agreement) with Jevin Investments, Inc. (Developer) for the purpose of consolidating all understandings and commitments between the District and Developer relating to the funding and repayment of certain costs associated with the operations and maintenance and other budgeted general fund expenditures of the Districts, including those funds loaned or expended on behalf of the District under the prior Funding and Reimbursement Agreement dated December 17, 2018. The total funds loaned shall not exceed \$150,000.

In connection with the Funding Agreement, the District shall execute a Subordinate Note to the Developer. The Subordinate Note shall bear simple interest at a rate of 2% plus the current Federal Reserve Bank Prime Rate or 6%, whichever is higher. Interest shall be payable upon maturity. The Subordinate Note under the Funding Agreement shall have a maturity date of December 31, 2020.

As the District was unable to repay the Funding Agreement on December 31, 2020, on June 18, 2021, the District entered into an Amended and Restated Funding and Reimbursement Agreement (Amended Funding Agreement) with the Developer. This Amended Funding Agreement resulted in a new agreement for payment of the prior costs whereby the costs including accrued interest were reimbursed under this agreement and a new Subordinate Note was entered into with a maturity date of December 31, 2022. Additionally, under the Amended Funding Agreement, the Developer shall loan the District additional funds not to exceed \$100,000 through December 31, 2022. The Amended Funding Agreement accrues interest under the same terms as the Funding Agreement.

Failure by the District to make a payment of principal and/or interest under the Amended Funding Agreement shall not cause acceleration thereof. Failure by the District to repay amounts due under this agreement as a result of insufficient funds shall not constitute default, hereunder, nor subject the District to any claims and/or causes of action by the Developer. The District's obligations under the Amended Funding Agreement shall terminate at the earlier of repayment in full or 30 years from the date of the agreement and all amounts under this Amended Funding Agreement, including accrued interest, shall be forgiven.

3. Detailed Notes on the Funds (continued)

Long-Term Obligations (continued)

Improvement Acquisition, Advance, and Reimbursement Agreement

On December 17, 2018, the District and Developer entered into an Improvement Acquisition, Advance, and Reimbursement Agreement (Improvement Agreement). Under the Improvement Agreement, the District established a process by which the District can reimburse the Developer for costs associated with the District's organization and for costs associated with the Developer's construction of infrastructure conveyed to the District and/or for advances made to the District for the District's construction of the improvements. Under this agreement, costs may not exceed \$120,000,000.

Under the Improvement Agreement, the District will not be directly responsible for funding the reimbursement infrastructure costs, but rather District Nos. 2-5 shall generate such revenues from one or more of the following sources: (i) proceeds of bonds or other indebtedness issued by the financing districts and any refunding thereof; and/or (ii) any other revenues of the financing districts which the financing districts determine, in their sole discretion, are available for such purpose, including ad valorem property tax revenue generated by the financing districts.

In connection with the Improvement Agreement, the District shall execute a Subordinate Note to the Developer. The Subordinate Note shall bear simple interest at a rate of 2% plus the current Federal Reserve Bank Prime Rate or 6%, whichever is higher. Interest shall be payable upon maturity. The Subordinate Note under the Improvement Agreement shall have a maturity date of December 16, 2058.

All amounts under the Improvement Agreement were paid off in January 2021 upon the issuance of bonds by North Vista Highlands Metropolitan District No. 3 (District No. 3).

4. Agreements

Improvement Acquisition and Reimbursement Agreement

On February 14, 2019, the District, the Developer, and certain Builders of the Development entered into various Improvement Acquisition and Reimbursement Agreements (Builder Improvement Agreements). Under the Builder Improvement Agreements, the District established a process by which the District can reimburse Builders for costs associated with construction of improvements conveyed to the District or dedicated to 3rd parties on the District's behalf. Under this agreement, total costs may not exceed \$120,000,000.

In connection with the agreements, the District shall execute a Subordinate Note to the Builder. The Subordinate Note shall bear simple interest at a rate of 2% plus the current Federal Reserve Bank Prime Rate or 6%, whichever is higher. Interest shall be payable upon maturity. The Subordinate Note shall have a maturity date of five years from the date of issuance regardless of whether such obligations are paid in full by the District.

No amounts have been reimbursed under these agreements.

4. Agreements (continued)

Joint Resolution Regarding Intent to Implement a Common Plan of Finance

On October 9, 2020, the District and District No. 3 approved a Joint Resolution Regarding Intent to Implement a Common Plan of Finance (Finance Plan). Under the Finance Plan, District No. 3 hereby declares its intent to transfer all available proceeds to the District for the payment of capital costs.

5. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, property, and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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. During the year ended December 31, 2020, the Pool has made no distributions nor required additional contributions from the District.

6. Related Party

The President of the Board of Directors is also the Developer. Another member is the President's son, and the remaining members of the Board of Directors are associated with the President/Developer. Therefore, all members may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board. The District has entered into various funding agreements with the Developer, see Notes 3 and 4.

The District has also entered into an independent contractor agreement with a Board Member, the President/Developer's son, for construction management services. For the year ended December 31, 2020, the District paid costs of \$10,176 under this agreement. No amount were due under this agreement as of December 31, 2020.

7. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. Explanation of the reconciling items is as follows:

Construction in progress capital expenses of \$3,954,794 are not financial resources and therefore are not reported in the funds.

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. The details of this difference are as follows:

Developer debt	\$ (131,745)
Accrued interest on long-term debt	(5,746)
Net adjustment	<u>\$ (137,491)</u>

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference is due to current year capital outlays of \$3,874,088.

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. The details of this difference are as follows:

Principal payment on developer debt	\$ 196,834
Developer advance	(100,419)
Net adjustment	<u>\$ 96,415</u>

Another element of the reconciliation states that “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.” The details of this difference is as follows:

Interest on long-term debt	<u>\$ (1,348)</u>
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SUPPLEMENTARY INFORMATION

NORTH VISTA HIGHLANDS METROPOLITAN DISTRICT NO. 1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:			
Intergovernmental revenue	\$ 8,500,000	\$ 4,075,781	\$ (4,424,219)
Total revenues	<u>8,500,000</u>	<u>4,075,781</u>	<u>(4,424,219)</u>
Expenditures:			
Capital outlay:	8,500,000	3,874,088	4,625,912
Debt service:			
Principal	-	196,834	(196,834)
Interest	-	4,859	(4,859)
Total expenditures	<u>8,500,000</u>	<u>4,075,781</u>	<u>4,424,219</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.