

**HIDDEN CREEK METROPOLITAN DISTRICT  
Weld County, Colorado**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**

**HIDDEN CREEK METROPOLITAN DISTRICT  
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YEAR ENDED DECEMBER 31, 2022**

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Dazzio & Associates, PC

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Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hidden Creek Metropolitan District  
Weld County, Colorado

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hidden Creek Metropolitan District, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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, 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.

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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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

### ***Required Supplementary Information***

Management has omitted 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.

### ***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 Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The Other Information and the Continuing Disclosures Annual Financial Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Duggio & Associates, P.C.*

July 20, 2023

## **BASIC FINANCIAL STATEMENTS**

**HIDDEN CREEK METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>                          |                                    |
| Cash and Investments                   | \$ 952                             |
| Cash and Investments - Restricted      | 11,930                             |
| Accounts Receivable - County Treasurer | 268                                |
| Property Taxes Receivable              | 140,916                            |
| Prepaid Expenses                       | <u>6,544</u>                       |
| Total Assets                           | <u>160,610</u>                     |
| <b>LIABILITIES</b>                     |                                    |
| Accounts Payable                       | 22,348                             |
| Noncurrent Liabilities:                |                                    |
| Due in More Than One Year              | <u>12,221,150</u>                  |
| Total Liabilities                      | <u>12,243,498</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                                    |
| Property Tax Revenue                   | <u>140,916</u>                     |
| Total Deferred Inflows of Resources    | <u>140,916</u>                     |
| <b>NET POSITION</b>                    |                                    |
| Restricted For:                        |                                    |
| Emergency Reserves                     | 400                                |
| Unrestricted                           | <u>(12,224,204)</u>                |
| Total Net Position                     | <u><u>\$ (12,223,804)</u></u>      |

See accompanying Notes to Basic Financial Statements.



**HIDDEN CREEK METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

|   |              | Program Revenues           |  |  | Net Revenues<br>(Expenses) and<br>Change in<br>Net Position |
|---|--------------|----------------------------|--|--|---|
|   | Expenses     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                  |
| <b>FUNCTIONS/PROGRAMS</b>                         |              |                            |  |  |   |
| Primary Government:                               |              |                            |  |  |   |
| Governmental Activities:                          |              |                            |  |  |   |
| General Government                                | \$ 72,226    | \$ -                       | \$ -                                     | \$ -                                   | \$ (72,226)   |
| Interest and Related Costs<br>on Long-Term Debt   | 583,851      | -                          | -  | -                                      | (583,851)   |
| Dedication of Capital Assets to Other Governments | 3,965,140    | -                          | -  | -                                      | (3,965,140)   |
|   |              |                            |  |  |   |
| Total Governmental Activities                     | \$ 4,621,217 | \$ -                       | \$ -                                     | \$ -                                   | (4,621,217)   |
| <br><b>GENERAL REVENUES</b>                       |              |                            |  |  |   |
| Property Taxes                                    |              |                            |  |  | 63,645  |
| Specific Ownership Taxes                          |              |                            |  |  | 3,767   |
| Net Investment Income                             |              |                            |  |  | 16,339  |
| Total General Revenues                            |              |                            |  |  | 83,751  |
| <br><b>CHANGE IN NET POSITION</b>                 |              |                            |  |  |   |
|   |              |                            |  |  | (4,537,466)   |
| Net Position - Beginning of Year                  |              |                            |  |  | (7,686,338)   |
| <br><b>NET POSITION - END OF YEAR</b>             |              |                            |  |  |   |
|   |              |                            |  |  | \$ (12,223,804)   |

See accompanying Notes to Basic Financial Statements.

**HIDDEN CREEK METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

| <b>ASSETS</b>  | General          | Debt<br>Service   | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|------------------|-------------------|---------------------|--------------------------------|
| Cash and Investments   | \$ 952           | \$ -              | \$ -                | \$ 952                         |
| Cash and Investments - Restricted  | 400              | 3,876             | 7,654               | 11,930                         |
| Accounts Receivable - County Treasurer                                   | 46               | 222               | -                   | 268                            |
| Property Taxes Receivable  | 25,315           | 115,601           | -                   | 140,916                        |
| Prepaid Expense  | 3,044            | 3,500             | -                   | 6,544                          |
|  | <u>\$ 29,757</u> | <u>\$ 123,199</u> | <u>\$ 7,654</u>     | <u>\$ 160,610</u>              |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES,<br/>AND FUND BALANCES</b> |                  |                   |                     |                                |
| <b>LIABILITIES</b>   |                  |                   |                     |                                |
| Accounts Payable   | \$ 16,002        | \$ 3,584          | \$ 2,762            | \$ 22,348                      |
| Total Liabilities  | <u>16,002</u>    | <u>3,584</u>      | <u>2,762</u>        | <u>22,348</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                  |                   |                     |                                |
| Property Tax Revenue   | 25,315           | 115,601           | -                   | 140,916                        |
| Total Deferred Inflows of Resources                                      | <u>25,315</u>    | <u>115,601</u>    | <u>-</u>            | <u>140,916</u>                 |
| <b>FUND BALANCES</b>   |                  |                   |                     |                                |
| Nonspendable:  |                  |                   |                     |                                |
| Prepaid Expenses   | 3,044            | 3,500             | -                   | 6,544                          |
| Restricted For:  |                  |                   |                     |                                |
| Emergencies (TABOR)  | 400              | -                 | -                   | 400                            |
| Debt Service   | -                | 514               | -                   | 514                            |
| Capital Projects   | -                | -                 | 4,892               | 4,892                          |
| Unassigned   | (15,004)         | -                 | -                   | (15,004)                       |
| Total Fund Balances  | <u>(11,560)</u>  | <u>4,014</u>      | <u>4,892</u>        | <u>(2,654)</u>                 |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances   | <u>\$ 29,757</u> | <u>\$ 123,199</u> | <u>\$ 7,654</u>     |                                |

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

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

|  |                  |
|--|------------------|
| Bonds Payable                                | (8,000,000)      |
| Accrued Interest Payable - Bonds             | (472,683)        |
| Developer Advance Payable                    | (2,766,331)      |
| Developer Advance Payable - Accrued Interest | (982,136)        |
|  | <u>(982,136)</u> |

|   |                        |
|---|------------------------|
| Net Position of Governmental Activities | <u>\$ (12,223,804)</u> |
|---|------------------------|

See accompanying Notes to Basic Financial Statements.

**HIDDEN CREEK METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

|   | General            | Debt<br>Service | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|--------------------|-----------------|---------------------|--------------------------------|
| <b>REVENUES</b>   |                    |                 |                     |                                |
| Property Taxes  | \$ 10,824          | \$ 52,821       | \$ -                | \$ 63,645                      |
| Specific Ownership Taxes                                | 641                | 3,126           | -                   | 3,767                          |
| Net Investment Income                                   | 11                 | 69              | 16,259              | 16,339                         |
| Total Revenues  | <u>11,476</u>      | <u>56,016</u>   | <u>16,259</u>       | <u>83,751</u>                  |
| <b>EXPENDITURES</b>                                     |                    |                 |                     |                                |
| General:  |                    |                 |                     |                                |
| Accounting  | 34,066             | -               | -                   | 34,066                         |
| Audit   | 5,000              | -               | -                   | 5,000                          |
| County Treasurer's Fees                                 | 162                | 793             | -                   | 955                            |
| Dues and Licenses                                       | 347                | -               | -                   | 347                            |
| Election  | 2,822              | -               | -                   | 2,822                          |
| Insurance   | 2,999              | -               | -                   | 2,999                          |
| Management Fees   | 7,830              | -               | -                   | 7,830                          |
| Legal   | 16,238             | -               | -                   | 16,238                         |
| Transfer to the Town of Frederick                       | -                  | 3,584           | -                   | 3,584                          |
| Debt Service:   |                    |                 |                     |                                |
| Paying Agent Fees                                       | -                  | 2,500           | -                   | 2,500                          |
| Bond Interest   | -                  | 45,300          | -                   | 45,300                         |
| Capital Projects:                                       |                    |                 |                     |                                |
| Engineering   | -                  | -               | 2,762               | 2,762                          |
| Capital Outlay  | -                  | -               | 3,965,140           | 3,965,140                      |
| Developer Reimbursement                                 | -                  | -               | 1,364,178           | 1,364,178                      |
| Total Expenditures                                      | <u>69,464</u>      | <u>52,177</u>   | <u>5,332,080</u>    | <u>5,453,721</u>               |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (57,988)           | 3,839           | (5,315,821)         | (5,369,970)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                    |                 |                     |                                |
| Developer Advance                                       | 56,574             | -               | 3,965,140           | 4,021,714                      |
| Total Other Financing Sources (Uses)                    | <u>56,574</u>      | <u>-</u>        | <u>3,965,140</u>    | <u>4,021,714</u>               |
| <b>NET CHANGE IN FUND BALANCES</b>                      | (1,414)            | 3,839           | (1,350,681)         | (1,348,256)                    |
| Fund Balances (Deficit) - Beginning of Year             | <u>(10,146)</u>    | <u>175</u>      | <u>1,355,573</u>    | <u>1,345,602</u>               |
| <b>FUND BALANCES (DEFICIT) - END OF YEAR</b>            | <u>\$ (11,560)</u> | <u>\$ 4,014</u> | <u>\$ 4,892</u>     | <u>\$ (2,654)</u>              |

See accompanying Notes to Basic Financial Statements.

**HIDDEN CREEK METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Governmental Funds \$ (1,348,256)

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                                    | 3,965,140   |
| Conveyance of Capital Assets to Other Governments | (3,965,140) |

The issuance of long-term debt (e.g., issuance of bonds, 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 Advances                              | (4,021,714) |
| Repayment of Developer Advance - Infrastructure | 1,364,178   |
| Interest Paid on Bonds                          | 45,300      |

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 Bonds - Change in Liability             | (376,375)        |
| Accrued Interest on Developer Advance - Change in Liability | <u>(200,599)</u> |

Change in Net Position of Governmental Activities \$ (4,537,466)

**HIDDEN CREEK METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|   | Original<br>and Final<br>Budget | Actual<br>Amounts  | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------------------|--------------------|---|
| <b>REVENUES</b>   |                                 |                    |   |
| Property Taxes  | \$ 10,824                       | \$ 10,824          | \$ -  |
| Specific Ownership Taxes                                | 541                             | 641                | 100   |
| Net Investment Income                                   | 25                              | 11                 | (14)  |
| Total Revenues  | <u>11,390</u>                   | <u>11,476</u>      | <u>86</u>   |
| <b>EXPENDITURES</b>                                     |                                 |                    |   |
| General:  |                                 |                    |   |
| Accounting  | 25,000                          | 34,066             | (9,066)   |
| Audit   | 5,000                           | 5,000              | -   |
| County Treasurer's Fees                                 | 162                             | 162                | -   |
| Election  | 3,000                           | 2,822              | 178   |
| Insurance   | 2,999                           | 2,999              | -   |
| Management Fees   | 25,000                          | 7,830              | 17,170  |
| Legal   | 30,000                          | 16,238             | 13,762  |
| Miscellaneous Expenses                                  | 800                             | -                  | 800   |
| Dues and Licenses                                       | 500                             | 347                | 153   |
| Contingency   | 7,539                           | -                  | 7,539   |
| Total Expenditures                                      | <u>100,000</u>                  | <u>69,464</u>      | <u>30,536</u>   |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (88,610)                        | (57,988)           | 30,622  |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                                 |                    |   |
| Developer Advances                                      | 89,096                          | 56,574             | (32,522)  |
| Total Other Financing Sources (Uses)                    | <u>89,096</u>                   | <u>56,574</u>      | <u>(32,522)</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>                       | 486                             | (1,414)            | (1,900)   |
| Fund Balance (Deficit) - Beginning of Year              | <u>200</u>                      | <u>(10,146)</u>    | <u>(10,346)</u>   |
| <b>FUND BALANCE (DEFICIT) - END OF YEAR</b>             | <u>\$ 686</u>                   | <u>\$ (11,560)</u> | <u>\$ (12,246)</u>                                      |

See accompanying Notes to Basic Financial Statements.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Hidden Creek Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for Weld County, Colorado recorded on November 25, 2015, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in the Town of Frederick (the Town), Colorado. The District was established to provide planning, design, acquisition, installation, construction relocation, redevelopment, financing, and completion of public improvements and services, including water, stormwater, sanitation and wastewater treatment, street and roadway improvements, traffic and safety protection, parks and recreation, transportation, television relay and translation and mosquito and pest control improvements and services.

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 governmental 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 and inter-governmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 has 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 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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

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 CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022.

**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 inflow 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 infrastructure (e.g., storm drainage, streets, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. 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.



**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress. Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the District's net position.

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 fixed assets, as applicable.

Depreciation on property that will remain assets of the District is reported on the statement of activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2022.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

**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.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance (Continued)**

*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.

**Deficits**

The General Fund reported a deficit in the fund financial statements as of December 31, 2022. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2023.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

|                                   |           |
|-----------------------------------|-----------|
| Cash and Investments              | \$ 952    |
| Cash and Investments - Restricted | 11,930    |
| Total Cash and Investments        | \$ 12,882 |

Cash and investments as of December 31, 2022, consist of the following:

|                                      |           |
|--------------------------------------|-----------|
| Deposits with Financial Institutions | \$ 5,201  |
| Investments                          | 7,681     |
| Total Cash and Investments           | \$ 12,882 |

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**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, 2022, the District's cash deposits had a bank balance and a carrying balance of \$5,201.

**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.

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

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of December 31, 2022, the District has the following investments:

| <u>Investment</u>                            | <u>Maturity</u>                   | <u>Amount</u> |
|--|-----------------------------------|---------------|
| Colorado Surplus Asset Fund Trust<br>(CSAFE) | Weighted-Average<br>Under 60 Days | \$ 7,681      |

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE CASH FUND may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, highest rated commercial paper, and any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

| <u>By Classification</u>                    | <u>Balance -<br/>December 31,<br/>2021</u> | <u>Additions</u>    | <u>Retirements</u>  | <u>Balance -<br/>December 31,<br/>2022</u> |
|---|--|---------------------|---------------------|--|
| Capital Assets, Not Being Depreciated:      |  |                     |                     |  |
| Construction in Process                     | \$ -                                       | \$ 3,965,140        | \$ 3,965,140        | \$ -                                       |
| Total Capital Assets, Not Being Depreciated | <u>\$ -</u>                                | <u>\$ 3,965,140</u> | <u>\$ 3,965,140</u> | <u>\$ -</u>                                |

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

During 2022, capital assets constructed by the District were conveyed to the other governmental entities. The cost of all capital assets transferred to other governmental entities were removed from the District's financial records. There is two years warranty period of the capital assets conveyed to Town of Frederick. The District anticipates that the cost, if any, associated with the warranty will be insignificant.

**NOTE 5 LONG-TERM OBLIGATIONS**

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

|  | Balance -<br>December 31,<br>2021 | Additions           | Reductions          | Balance -<br>December 31,<br>2022 | Due Within<br>One Year |
|--|-----------------------------------|---------------------|---------------------|-----------------------------------|------------------------|
| Limited Tax General<br>Obligation Bonds:                   |                                   |                     |                     |                                   |                        |
| Senior - Series 2021A                                      | \$ 8,000,000                      | \$ -                | \$ -                | \$ 8,000,000                      | \$ -                   |
| Accrued Interest on  |                                   |                     |                     |                                   |                        |
| Senior - Series 2021A                                      | 141,608                           | 376,375             | 45,300              | 472,683                           | -                      |
| Developer Advances - Prior Costs                           | 84,839                            | -                   | -                   | 84,839                            | -                      |
| Developer Advances - O&M                                   | 23,956                            | 56,574              | -                   | 80,530                            | -                      |
| Developer Advances -<br>Infrastructure                     | -                                 | 3,965,140           | 1,364,178           | 2,600,962                         | -                      |
| Accrued Interest on  |                                   |                     |                     |                                   |                        |
| Developer Advances - Prior Costs                           | 10,358                            | 6,787               | -                   | 17,145                            | -                      |
| Developer Advances - O&M                                   | 532                               | 4,314               | -                   | 4,846                             | -                      |
| Accrued Interest on Developer<br>Advances - Infrastructure | 770,647                           | 189,498             | -                   | 960,145                           | -                      |
| Total  | <u>\$ 9,031,940</u>               | <u>\$ 4,598,688</u> | <u>\$ 1,409,478</u> | <u>\$ 12,221,150</u>              | <u>\$ -</u>            |

The details of the District's general obligation bonds outstanding during 2022 are as follows:

**Limited Tax General Obligation Bonds, Series 2021A(3) (the Bonds)**

**Bond Proceeds**

The District issued the Bonds on July 22, 2021, in the par amount of \$8,000,000. Proceeds from the sale of the Bonds were used to finance or reimburse a portion of the costs of public improvements related to the development within the District and to pay the costs of issuing the Bonds.

**Details of the Bonds**

The Bonds bear interest at the rate of 4.625% per annum and are payable annually on December 1, beginning on December 1, 2021, but only to the extent of available Pledged Revenue. The Bonds mature on December 1, 2045 and are subject to mandatory redemption to the extent of available Pledged Revenue.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the Bonds compounds annually on each December 1. In the event any amount of principal or interest on the Bonds remains unpaid after the application of all Pledged Revenues available therefore, on December 1, 2061, such amounts shall be deemed discharged and no longer due and outstanding.

**Optional Redemption**

The Bonds are subject to redemption prior to maturity, at the option of the District, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

| <u>Date of Redemption</u>            | <u>Redemption<br/>Premium</u> |
|--------------------------------------|-------------------------------|
| September 1, 2026 to August 31, 2027 | 3.00 %                        |
| September 1, 2027 to August 31, 2028 | 2.00                          |
| September 1, 2028 to August 31, 2029 | 1.00                          |
| September 1, 2029 and Thereafter     | -                             |

**Pledged Revenue**

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) all Property Tax Revenues; (b) all Specific Ownership Tax Revenues; (c) all Capital Fees; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

Property Tax Revenues means all monies derived from imposition by the District of the Required Mill Levy and does not include specific ownership taxes. Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

Specific Ownership Tax Revenues means the specific ownership taxes remitted to the District as a result of its imposition of its Required Mill Levy.

Capital Fees means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges or usage fees) now or hereafter imposed by the District. Capital Fees does not include any fee imposed solely for the purpose of funding operation and maintenance expenses.

**Required Mill Levy**

The District is required to impose an ad valorem mill levy upon all taxable property of the District each year in an amount equal to 50 mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2015) less the Permitted O&M Mill Levy Deduction and less the Contribution Mill Levy, or such lesser amount that will generate Property Tax Revenues which will pay the Bonds in full in the year such levy is collected.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Required Mill Levy (Continued)**

The Permitted O&M Mill Levy Deduction means the ad valorem property tax levy imposed by the District for general, administrative, operation and maintenance costs, but not in excess of the number of mills which would generate property taxes in the succeeding collection year, after deduction of collection costs, in an amount equal to: (a) \$51,000 for collection year 2022, and (b) for each collection year thereafter, such maximum dollar amount for the prior collection year plus 2.00%.

Any time the District imposes a mill levy for debt service, the District is to impose a mill levy of three mills (but in no event in excess of three mills, which is not subject to adjustment) (the Contribution Mill Levy) for purposes of financing capital improvements or for financing operations and maintenance expenses associated with Town improvements. Revenues from the Contribution Mill Levy are to be remitted to the Town upon the District's receipt and are not pledged to the Bonds.

To the extent that the District is able to impose less than 10 mills for operations and maintenance purposes, the Service Plan permits, and the Indenture requires, the District to increase its mill levy imposed for debt service by a corresponding amount up to 47 mills (i.e. the 50 mill Limited Mill Levy, less the three mill Contribution Mill Levy), subject to adjustment.

**Bonds Debt Service**

The annual debt service requirements of the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

**Debt Authorization**

At an election held November 3, 2015, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$130,000,000 for providing public improvements.

|                            | Authorized<br>November 3, 2015<br>Election | Authorization<br>Used, Series<br>2021 Bonds | Remaining at<br>December 31,<br>2022 |
|----------------------------|--|---|--------------------------------------|
| Capital Improvements       | \$ 80,000,000                              | \$ 8,000,000                                | \$ 72,000,000                        |
| Operations and Maintenance | 10,000,000                                 | -   | 10,000,000                           |
| District IGA               | 10,000,000                                 | -   | 10,000,000                           |
| Reimbursement Agreements   | 10,000,000                                 | -   | 10,000,000                           |
| Construction Management    | 10,000,000                                 | -   | 10,000,000                           |
| Refunding of Debt          | 10,000,000                                 | -   | 10,000,000                           |
| Total                      | <u>\$ 130,000,000</u>                      | <u>\$ 8,000,000</u>                         | <u>\$ 122,000,000</u>                |

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$8,000,000. Following the issuance of the Series 2021A(3) Bonds, there is no Service Plan debt authorization remaining. The limitations of the Service Plan may be modified or amended only with the prior approval of the Town and as otherwise provided in the Special District Act.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization (Continued)**

Unused Lines of Credit

The Series 2021 Limited Tax General Obligation Bonds do not have any unused lines of credit.

Collateral

No assets have been pledged as collateral on the Series 2021 Limited Tax General Obligation Bonds.

Events of Default

Events of default occur if the Districts fail to impose the Required Mill Levy, or to apply the Pledged Revenues as required by the Indenture, and do not comply with other customary terms and conditions consistent with normal municipal financing as described in the Indentures.

Termination Events

The Series 2021 Limited Tax General Obligation Bonds do not have a termination provision.

Acceleration

The Series 2021 Limited Tax General Obligation Bonds are not subject to acceleration.

**NOTE 6 NET POSITION**

The District has net position consisting of two components – restricted and unrestricted.

Restricted 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 a restricted net position as of December 31, 2022, as follows:

Restricted Net Position:

|                               |               |
|-------------------------------|---------------|
| Emergencies                   | \$ 400        |
| Total Restricted Net Position | <u>\$ 400</u> |

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, of which a significant portion of these improvements have been conveyed to other governmental entities and which costs have been removed from the District's financial records.



**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS**

**Advance and Reimbursement Agreement**

On December 3, 2020, the District entered into Advance and Reimbursement Agreement (the Agreement) with LGI Homes Colorado, LLC, to repay advances made by the Developer for Operations costs of the District. The Agreement was subsequently amended on December 2, 2021. Pursuant to the Agreement, the District has determined to provide funding for the District's Operations Costs on behalf of or to the District consistent with the public objectives and purpose of the District. The Developer agreed to advance or expend funds on behalf of the District in maximum advance amount of \$158,592 which funds would be available to the District through December 31, 2022. The District anticipates that the maximum advance amount will not be sufficient to fund Operations Costs through 2022 and the District anticipates it will not otherwise have sufficient revenues to fund said costs. As part of the December 2, 2021 amendment, the District and Developer agreed to amend the provisions of the Agreement pertaining to the maximum advance amount.

The District agreed to repay Developer for such advances plus accrued interest at the rate of 8.00%. The parties agreed and acknowledged that the Developer has incurred costs on behalf of the District prior to execution of the Agreement in anticipation that the same would be reimbursed by the District. Reimbursement for prior costs shall be made in accordance with, and subject to the terms and conditions of this Agreement governing the reimbursement for costs, except that any prior costs reimbursed in accordance with this agreement shall not be included in the calculation of the Maximum Loan Amount. As of December 3, 2020, the District acknowledged that the Developer has made Advances to the District in the total amount of \$84,839.

The parties may terminate this Agreement by mutual written agreement of the Parties. Unless earlier terminated, this Agreement shall be in effect until the end of the fiscal year in which the Agreement was executed and shall automatically renew for an additional one-year period at the end of that fiscal year and each fiscal year thereafter, provided, however, this Agreement and any obligation of the District to reimburse the Developer shall expire on the date that is forty (40) years after the Effective Date (the Termination Date). In the event the District has not reimbursed the Developer for any Advance(s) made pursuant to this Agreement on such Termination Date, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS (CONTINUED)**

**Facilities Funding and Acquisition Agreement**

On December 3, 2020, the District entered into Advance and Reimbursement and Facilities Acquisition Agreement (the FFAA) with Developer. The FFAA establishes the terms and conditions (a) upon which Developer may advance funds to or expend funds on behalf of the District for District Eligible Costs, and (b) upon which the District may make reimbursement to Developer for such advances and/or expenditures. The Parties acknowledge that the District does not presently have the funds to construct the Public Improvements, but in furtherance of the purposes of the District as expressed in the Service Plan, the FFAA provides a means by which the District may reimburse the Developer for certain Certified District Eligible Costs of Public Improvements financed and constructed by the Developer or for which the Developer advanced funds to the District to finance and construct. The District is authorized to accept any Public Improvements and/or District Eligible Costs for reimbursement.

The Developer agreed to advance funds or expend funds on behalf of the District for District Eligible Costs in one or more installments, provided that in no event shall the total amount that the Developer shall be obligated to advance to the District or expend on behalf of the District, exceed Eight Million Dollars and Zero Cents (\$8,000,000.00) (the Maximum Advance Amount), which amount is set to be equivalent to the total debt issuance limitation set forth in the District's Service Plan since the proceeds from debt issuances are contemplated to be the source of funds for reimbursements hereunder. The Maximum Advance Amount constitutes the maximum amount that may be advanced or expended hereunder for which reimbursement may be made, notwithstanding any payment or prepayment of any portion of the funds advanced or expended pursuant to the terms hereof, unless this Agreement is further supplemented or amended. During the year ended December 31, 2022 the District reimbursed the Developer \$1,364,178.

On December 2, 2022 the Agreement was amended and restated in its entirety to increase Maximum Advance Amount. The Developer agreed to advance funds or expend funds on behalf of the District for Operations Costs in one or more installments, provided that in no event shall the total amount that the Developer shall advance to the District or expend on behalf of the District, exceed the amount One Hundred Ninety Thousand and Sixteen Dollars and Zero Cents (\$190,016), (the "Maximum Advance Amount"). The Maximum Advance Amount constitutes the maximum amount that may be advanced or expended hereunder, notwithstanding any payment or prepayment of any portion of the funds advanced or expended pursuant to the terms hereof, unless this Agreement is further supplemented or amended. These funds shall be available to the District through December 31, 2023 (as the same may be amended pursuant to an annual review evidenced by supplement or amendment hereto, the "Loan Obligation Termination Date"). Thereafter, Developer may agree to renew its obligations hereunder by providing written notice thereof to the District, in which case the Loan Obligation Termination Date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement with the Town**

On March 8, 2016, the District entered into the Intergovernmental Agreement (the IGA) with the Town. Pursuant to the IGA, the District agrees to dedicate the public improvements to the Town or other appropriate jurisdiction in a manner contemplated under the approved development plan and other rules and regulations of the Town and applicable provisions of the Town Code.

The District is not authorized to operate and maintain any part or all of the Public Improvements, except one off-site drainage facility located in the Town of Firestone, a neighborhood park and park and recreation improvements as permitted by an intergovernmental agreement between the District and Carbon Valley Parks and Recreation District. The District will dedicate the neighborhood park to the Town, which will be maintained by either the District or an owner's association as the District and owner's association may reasonably determine. Sanitation facilities will be conveyed to the St. Vrain Sanitation District. Water facilities and streets and roadway improvements will be conveyed to the Town.

Without increasing the Limited Mill Levy, at any time the District imposes a mill levy for debt service purposes, the District imposes the Contributed Mill Levy of three (3.000) mills for purpose of financing capital improvements or for financing operations and maintenance expenses associated with Town capital improvements, and revenue should be remitted to the Town upon District's receipt. In the event that the District has no debt service mill levy, the District shall have no obligation to levy, collect, and pay over to the Town the Contribution Mill Levy. In 2022 the District imposed Contributed Mill Levy generated \$3,584 in revenue, which was paid to the Town.

**NOTE 8 RELATED PARTIES**

The Developer of the property is LGI Homes – Colorado, LLC. All of the members of the Board of Directors are employee, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

**NOTE 9 ECONOMIC DEPENDENCY**

The District has not yet established a revenue base sufficient to pay operational expenditures without advances from the Developer. Until an independent revenue base is established, continuation of operations in the District will be depending upon funding by the Developer.

**HIDDEN CREEK METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 (the 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 liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds 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.

On November 3, 2015, a majority of the District's electors authorized the District to increase property taxes up to \$500,000 annually to pay the District's administration and operations and maintenance expenses; and to increase its property taxes up to \$200,000 annually to pay for Town improvements for which the District is obligated to pay the Contribution Mill Levy, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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. 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 CREEK METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|   | Budget Amounts         |                        | Actual<br>Amounts      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------|------------------------|------------------------|---|
|   | Original               | Final                  |                        |   |
| <b>REVENUES</b>                                 |                        |                        |                        |   |
| Property Taxes                                  | \$ 49,390              | \$ 49,390              | \$ 49,391              | \$ 1  |
| Property Taxes - Contribution Mill Levy         | 3,430                  | 3,430                  | 3,430                  | -   |
| Specific Ownership Tax                          | 2,470                  | 2,960                  | 2,923                  | (37)  |
| Specific Ownership Tax - Contribution Mill Levy | 172                    | 206                    | 203                    | (3)   |
| Net Investment Income                           | 180                    | 39                     | 66                     | 27  |
| Net Investment Income - Contributed Mill Levy   | -                      | 3                      | 3                      | -   |
| Total Revenues                                  | <u>55,642</u>          | <u>56,028</u>          | <u>56,016</u>          | <u>(12)</u>   |
| <b>EXPENDITURES</b>                             |                        |                        |                        |   |
| General:  |                        |                        |                        |   |
| County Treasurer's Fees                         | 741                    | 741                    | 741                    | -   |
| County Treasurer's Fee - Contribution Mill Levy | 51                     | 52                     | 52                     | -   |
| Transfer to the Town of Frederick               | 3,551                  | 3,587                  | 3,584                  | 3   |
| Paying Agent Fees                               | -                      | 2,500                  | 2,500                  | -   |
| Bond Interest - Series 2021A                    | 43,153                 | 45,300                 | 45,300                 | -   |
| Contingency                                     | -                      | 1,820                  | -                      | 1,820   |
| Total Expenditures                              | <u>47,496</u>          | <u>54,000</u>          | <u>52,177</u>          | <u>1,823</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>               | 8,146                  | 2,028                  | 3,839                  | 1,811   |
| Fund Balance - Beginning of Year                | <u>-</u>               | <u>175</u>             | <u>175</u>             | <u>-</u>  |
| <b>FUND BALANCE - END OF YEAR</b>               | <u><u>\$ 8,146</u></u> | <u><u>\$ 2,203</u></u> | <u><u>\$ 4,014</u></u> | <u><u>\$ 1,811</u></u>                                  |

**HIDDEN CREEK METROPOLITAN DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

|   | Budget Amounts |             | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------|-------------|-------------------|---|
|   | Original       | Final       |                   |   |
| <b>REVENUES</b>   |                |             |                   |   |
| Net Investment Income                                   | \$ -           | \$ 16,260   | \$ 16,259         | \$ (1)  |
| Total Revenues  | -              | 16,260      | 16,259            | (1)   |
| <b>EXPENDITURES</b>                                     |                |             |                   |   |
| Capital Projects:                                       |                |             |                   |   |
| Engineering   | -              | 5,000       | 2,762             | 2,238   |
| Capital Outlay  | 1,333,528      | 3,965,140   | 3,965,140         | -   |
| Developer Reimbursement                                 | -              | 1,364,178   | 1,364,178         | -   |
| Contingency   | -              | 2,655       | -                 | 2,655   |
| Total Expenditures                                      | 1,333,528      | 5,336,973   | 5,332,080         | 4,893   |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (1,333,528)    | (5,320,713) | (5,315,821)       | 4,892   |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                |             |                   |   |
| Developer Advances                                      | -              | 3,965,140   | 3,965,140         | -   |
| Total Other Financing Sources (Uses)                    | -              | 3,965,140   | 3,965,140         | -   |
| <b>NET CHANGE IN FUND BALANCE</b>                       | (1,333,528)    | (1,355,573) | (1,350,681)       | 4,892   |
| Fund Balance - Beginning of Year                        | 1,333,528      | 1,355,573   | 1,355,573         | -   |
| <b>FUND BALANCE - END OF YEAR</b>                       | \$ -           | \$ -        | \$ 4,892          | \$ 4,892  |

## **OTHER INFORMATION**



**HIDDEN CREEK METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

| Year Ended<br>December 31,                            | Prior Year<br>Assessed<br>Valuation for<br>Current Year<br>Tax Levy | Mills Levied |              |                           | Total Property Taxes |           | Percent<br>Collected<br>to Levied |
|---|---|--------------|--------------|---------------------------|----------------------|-----------|-----------------------------------|
|   |   | General      | Debt Service | Contribution<br>Mill Levy | Levied               | Collected |                                   |
| 2018  | \$ 265,050  | 0.000        | 0.000        | 0.000                     | \$ -                 | \$ -      | - %                               |
| 2019  | 198,560   | 0.000        | 0.000        | 0.000                     | -                    | -         | -                                 |
| 2020  | 512,930   | 0.000        | 0.000        | 0.000                     | -                    | -         | -                                 |
| 2021  | 513,870   | 10.533       | 42.131       | 3.000                     | 28,604               | 28,534    | 99.76                             |
| 2022  | 1,143,360   | 9.467        | 43.197       | 3.000                     | 63,644               | 63,645    | 100.00                            |
| Estimated for the Year<br>Ending December 31,<br>2023 | \$ 2,531,550  | 10.000       | 42.664       | 3.000                     | \$ 140,916           |           |                                   |

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessment.

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
(UNAUDITED)**

**HIDDEN CREEK METROPOLITAN DISTRICT  
HISTORY OF ASSESSED VALUATION AND MILL LEVIES  
DECEMBER 31, 2022**

| Levy/<br>Collection<br>Year | Assessed Valuation |                   | Mill Levies             |                                     |                          |            |
|-----------------------------|--------------------|-------------------|-------------------------|-------------------------------------|--------------------------|------------|
|                             | Amount             | Percent<br>Change | Operations<br>Mill Levy | General<br>Obligations<br>Mill Levy | Contractual<br>Mill Levy | Total Levy |
| 2022/2023                   | \$ 2,531,550       | 121.41%           | 10.000                  | 42.664                              | 3.000                    | 55.664     |
| 2021/2022                   | 1,143,360          | 122.50%           | 9.467 (2)               | 43.197                              | 3.000                    | 53.664     |
| 2020/2021 (1)               | 513,870            | 0.18%             | 10.533 (2)              | 42.131                              | 3.000                    | 53.664     |
| 2019/2020                   | 512,930            | 158.32%           | 0.000                   | 0.000                               | 0.000                    | 0.000      |
| 2018/2019                   | 198,560            | -25.09%           | 0.000                   | 0.000                               | 0.000                    | 0.000      |
| 2017/2018                   | 265,050            | -47.00%           | 0.000                   | 0.000                               | 0.000                    | 0.000      |

(1) Pursuant to Section 39-1-105, C.R.S., all taxable property in the State is assessed as of January 1 of each year. The assessed valuation presented was certified as of December 2020, and may not reflect additional development that occurred after January 1, 2020.

(2) This levy reflects the 10-mill Operations Mill Levy limit provided for in the Service Plan, adjusted for changes in the ratio of actual valuation to assessed valuation for residential property occurring after January 1, 2015. Pursuant to ballot issue 5(A), however, the Election limits the District's mill levy imposed for operations and maintenance purpose to a rate not in excess of 10 mills annually, without adjustment. In order to address the 0.533 mills imposed in 2020 in excess of the Election limitation, the District imposed an Operations Mill Levy of 10.00 mills minus a temporary general property tax credit/temporary mill levy rate reduction of .533 mills for an Operations Mill Levy of 9.467 mills in 2021 (for collection in 2022). Such reduction of the Operations Mill Levy imposed in 2021 will result in an increase in the General Obligation Mill Levy by a corresponding amount as required by the Indenture pursuant to the definition of the Required Mill Levy.

Sources: The District and Weld County Assessor's Office

**HIDDEN CREEK METROPOLITAN DISTRICT  
PROPERTY TAX COLLECTIONS IN THE DISTRICT  
DECEMBER 31, 2022**

| Levy/Collection Year | Taxes<br>Levied | (1) | Current Tax<br>Collection | (2) | Collection<br>Rate |
|----------------------|-----------------|-----|---------------------------|-----|--------------------|
| 2022/2023            | \$ 140,916      |     | \$ 65,894                 | (3) | 46.76 %            |
| 2021/2022            | 63,644          |     | 63,645                    |     | 100.00             |
| 2020/2021            | 28,604          |     | 28,534                    |     | 99.76              |
| 2019/2020            | -               |     | -                         |     | -                  |
| 2018/2019            | -               |     | -                         |     | -                  |
| 2017/2018            | -               |     | -                         |     | -                  |

(1) Levied amounts do not reflect abatements or other adjustments.

(2) The County Treasurer's collection fee has not been deducted from these amounts. Figures do not include interest, fees, and penalties.

(3) Collection as of April 30, 2023.

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Sources: The District and Weld County Assessor's Office

**HIDDEN CREEK METROPOLITAN DISTRICT  
 ASSESSED AND "ACTUAL" VALUATION OF CLASSES OF PROPERTY IN THE DISTRICT  
 DECEMBER 31, 2022**

| Property Class | "Actual"<br>Valuation | Assessed<br>Valuation | Percentage<br>of Total<br>Assessed<br>Valuation |
|----------------|-----------------------|-----------------------|---|
| Vacant Land    | \$ 1,945,655          | \$ 565,050            | 22.32 %   |
| Residential    | 25,469,730            | 1,770,090             | 69.92   |
| Commercial     | 3,621                 | 1,050                 | 0.04  |
| Oil and Gas    | 157,354               | 57,320                | 2.26  |
| State Assessed | 475,969               | 138,040               | 5.45  |
| Total          | <u>\$ 28,052,329</u>  | <u>\$ 2,531,550</u>   | <u>100.00 %</u>                                 |

Source: Weld County Assessor's Office

**HIDDEN CREEK METROPOLITAN DISTRICT  
DEBT TO ASSESSED VALUATION RATIO  
DECEMBER 31, 2022**

|                                       | <u>2021</u>  | <u>2022</u>  |
|---------------------------------------|--------------|--------------|
| Direct Debt (Consisting of the Bonds) | \$ 8,000,000 | \$ 8,000,000 |
| Certified Assessed Valuation          | 1,143,360    | 2,531,550    |
| Direct Debt to Assessed Valuation     | 699.69%      | 316.01%      |

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Sources: The District and Weld County Assessor's Office