

St. Vrain Lakes Metropolitan District No. 1

Year Ended December 31, 2020
with
Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
St. Vrain Lakes Metropolitan District No. 1
Weld County, Colorado

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Wipfli LLP
Wipfli LLP
Lakewood, Colorado

December 22, 2021

St. Vrain Lakes Metropolitan District No. 1

Balance Sheet/Statement of Net Position Governmental Funds December 31, 2020 (See Independent Auditor's Report)

	General	Capital Projects	Total	Adjustments	Statement of Net Position
Assets:					
Cash and investments	\$ 380,099	\$ -	\$ 380,099	\$ -	\$ 380,099
Cash and investments - restricted	45,799	616,167	661,966	-	661,966
Prepaid expense	55,621	-	55,621	-	55,621
Receivable - County Treasurer	1,405	-	1,405	-	1,405
Receivable - other	350,496	-	350,496	-	350,496
Grant receivable	-	204,000	204,000	-	204,000
Due from District No. 2	157,491	-	157,491	-	157,491
Due from other funds	500	-	500	-	500
Property taxes receivable	70,700	-	70,700	-	70,700
Capital assets, not being depreciated	-	-	-	45,229,409	45,229,409
Total assets	\$ 1,062,111	\$ 820,167	\$ 1,882,278	45,229,409	47,111,687
Liabilities:					
Accounts payable	\$ 133,245	\$ -	\$ 133,245	-	133,245
Due to other funds	500	-	500	-	500
Prepaid operations and maintenance fees	19,740	-	19,740	-	19,740
Due to county	42,493	-	42,493	-	42,493
Due to Little Thompson	45,299	-	45,299	-	45,299
Accrued interest	-	-	-	1,362,837	1,362,837
Long-term liabilities:					
Due in more than one year	-	-	-	15,668,429	15,668,429
Total liabilities	241,277	-	241,277	17,031,266	17,272,543
Deferred inflows of resources:					
Deferred property taxes	70,700	-	70,700	-	70,700
Total deferred inflow of resources	70,700	-	70,700	-	70,700
Fund balances:					
Nonspendable:					
Prepays	55,621	-	55,621	(55,621)	-
Restricted for:					
Emergencies	42,873	-	42,873	(42,873)	-
Capital projects	-	820,167	820,167	(820,167)	-
Unassigned	651,640	-	651,640	(651,640)	-
Total fund balances	750,134	820,167	1,570,301	(1,570,301)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 1,062,111	\$ 820,167	\$ 1,882,278		
Net position:					
Restricted for:					
Emergencies				42,873	42,873
Capital projects				820,167	820,167
Unrestricted				28,905,404	28,905,404
				\$ 29,768,444	\$ 29,768,444

(See Notes to Basic Financial Statements)

St. Vrain Lakes Metropolitan District No. 1

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds Year Ended December 31, 2020 (See Independent Auditor's Report)

	General	Capital Projects	Total	Adjustments	Statement of Activities
Expenditures:					
Accounting, audit and finance	\$ 85,303	\$ -	\$ 85,303	\$ -	\$ 85,303
ARC review	58,895	-	58,895	-	58,895
Accepted costs	-	7,806,798	7,806,798	(7,806,798)	-
Builder's district education	3,540	-	3,540	-	3,540
Capital services	-	18,785	18,785	-	18,785
Collections	6,346	-	6,346	-	6,346
Covenant enforcement	30,660	-	30,660	-	30,660
District facilities management	272,135	-	272,135	-	272,135
Election	12,363	-	12,363	-	12,363
General engineering	-	31,637	31,637	-	31,637
Hardscape maintenance	16,873	-	16,873	-	16,873
Insurance	55,821	-	55,821	-	55,821
Lake, pool and playground amenities	371,681	-	371,681	-	371,681
Landscape maintenance	267,399	-	267,399	-	267,399
Legal	85,708	42,852	128,560	-	128,560
Modifications committee	3,360	-	3,360	-	3,360
Office, dues and other	11,588	-	11,588	-	11,588
Property transfers	12,300	-	12,300	-	12,300
Repairs and replacements	38,247	-	38,247	-	38,247
Town of Firestone - IGA	26,260	-	26,260	-	26,260
Treasurer's fees	5,788	-	5,788	-	5,788
Utilities	89,864	-	89,864	-	89,864
Website/newsletter	5,354	-	5,354	-	5,354
Contribution to Little Thompson	42,799	-	42,799	-	42,799
Miscellaneous	2,217	-	2,217	-	2,217
Social committee events	1,962	-	1,962	-	1,962
Interest on developer advances	-	-	-	731,144	731,144
Total expenditures	1,506,463	7,900,072	9,406,535	(7,075,654)	2,330,881
General revenues:					
Property taxes	293,944	-	293,944	-	293,944
Specific ownership taxes	18,314	-	18,314	-	18,314
Development fees	159,300	-	159,300	-	159,300
TIF fees	91,892	-	91,892	-	91,892
Firming fees	42,500	-	42,500	-	42,500
Developer contributions	272,203	-	272,203	-	272,203
Interest income - firming fees	599	-	599	-	599
Administrative transfer fees	22,375	-	22,375	-	22,375
General operations fees	279,088	-	279,088	-	279,088
ARC fees	45,340	-	45,340	-	45,340
Pier & dock revenue	329	-	329	-	329
Covenant violation fees	5,000	-	5,000	-	5,000
Maintenance fees	6,061	-	6,061	-	6,061
Transfer from District No. 2	136,923	-	136,923	-	136,923
Transfer from District No. 3	27,005	-	27,005	-	27,005
Transfer from District No. 4	13,772	-	13,772	-	13,772
Investment earnings	7,766	4,148	11,914	-	11,914
Legal fees	5,598	-	5,598	-	5,598
Miscellaneous income	1,080	-	1,080	-	1,080
Total general revenues	1,429,089	4,148	1,433,237	-	1,433,237
Excess (deficiency) of revenue over expenditures	(77,374)	(7,895,924)	(7,973,298)	7,075,654	(897,644)
Other financing sources					
Developer advances	-	7,886,837	7,886,837	(7,877,322)	9,515
Total other financing sources	-	7,886,837	7,886,837	(7,877,322)	9,515
Net changes in fund balances	(77,374)	(9,087)	(86,461)	86,461	
Change in net position				(888,129)	(888,129)
Fund balances/net position - beginning of year	827,508	829,254	1,656,762	28,999,811	30,656,573
Fund balances/net position - end of year	\$ 750,134	\$ 820,167	\$ 1,570,301	\$ 28,198,143	\$ 29,768,444

(See Notes to Basic Financial Statements)

St. Vrain Lakes Metropolitan District No. 1

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Year Ended December 31, 2020 (See Independent Auditor's Report)

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 293,929	\$ 293,944	\$ 15
Specific ownership taxes	27,008	18,314	(8,694)
Development fees	433,650	159,300	(274,350)
TIF fees	91,906	91,892	(14)
Firming Fees	-	42,500	42,500
Developer contributions	10,080	272,203	262,123
Interest income - firming fees	-	599	599
Administrative transfer fees	12,875	22,375	9,500
General operations fees	224,055	279,088	55,033
ARC fees	15,000	45,340	30,340
Pier & dock revenue	5,000	329	(4,671)
Covenant violation fees	-	5,000	5,000
Maintenance fees	4,032	6,061	2,029
Amenities fees	17,500	-	(17,500)
Transfer from District No. 2	140,979	136,923	(4,056)
Transfer from District No. 3	27,775	27,005	(770)
Transfer from District No. 4	14,163	13,772	(391)
Investment earnings	3,000	7,766	4,766
Legal fees	5,000	5,598	598
Miscellaneous income	-	1,080	1,080
Total revenues	1,325,952	1,429,089	103,137
Expenditures:			
Accounting, audit and finance	87,840	85,303	2,537
ARC review	28,450	58,895	(30,445)
Builder's district education	10,080	3,540	6,540
Collections	5,000	6,346	(1,346)
Covenant enforcement	23,280	30,660	(7,380)
District facilities management	247,440	272,135	(24,695)
Election	1,500	12,363	(10,863)
Hardscape maintenance	75,660	16,873	58,787
Insurance	35,000	55,821	(20,821)
Lake, pool and playground amenities	483,587	371,681	111,906
Landscape maintenance	283,400	267,399	16,001
Legal	35,000	85,708	(50,708)
Modifications committee	15,280	3,360	11,920
Office, dues and other	14,900	11,588	3,312
Property transfers	10,800	12,300	(1,500)
Repairs and replacements	57,525	38,247	19,278
Town of Firestone - IGA	26,259	26,260	(1)
Treasurer's fees	5,788	5,788	-
Utilities	82,900	89,864	(6,964)
Website/newsletter	10,000	5,354	4,646
Contribution to Little Thompson	-	42,799	(42,799)
Miscellaneous	-	2,217	(2,217)
Social committee events	10,000	1,962	8,038
Stormwater facilities	13,000	-	13,000
Contingency	100,000	-	100,000
Total expenditures	1,662,689	1,506,463	156,226
Excess (deficiency) of revenues over expenditures and net change in fund balance	(336,737)	(77,374)	259,363
Fund balance - beginning of year	732,844	827,508	94,664
Fund balance - end of year	<u>\$ 396,107</u>	<u>\$ 750,134</u>	<u>\$ 354,027</u>

(See Notes to Basic Financial Statements)

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies

The accounting policies of the St. Vrain Lakes Metropolitan District No. 1 (the "District"), located in Weld County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. 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 the more significant policies consistently applied in the preparation of financial statements.

Definition of reporting entity

The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized on November 29, 2006 under the State of Colorado Special District Act. The District was organized as part of a service plan establishing the District, St. Vrain Lakes Metropolitan District No. 2 ("District No. 2"), St. Vrain Lakes Metropolitan District No. 3 ("District No. 3"), and St. Vrain Lakes Metropolitan District No. 4 ("District No. 4"). The District, District No. 2, District No. 3, and District No. 4 are collectively referred to as the "St. Vrain Districts". District No. 1 is to be the service district and manages and oversees the permitted district activities. District Nos. 2, 3 and 4 are the financing districts. The District was established to provide for the construction and financing of the public improvements for the use and benefit of the residents and property owners within the service area. The District is governed by an elected Board of Directors.

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

The District follows the 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

As of December 31, 2020, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

Basis of presentation

The accompanying financial statements are presented per GASB Statement No. 34, *Special Purpose Governments*.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund revenues, expenditures and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. The effect of interfund activity has been removed from these statements.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

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

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 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 *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when the District receives the cash.

The District reports the following major governmental funds:

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

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

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Budgets and budgetary accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget 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.

Assets, Liabilities and Net Position

Fair value of financial instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash 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..

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. 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.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities.

Development Fees

On February 13, 2007, the District adopted a Joint Resolution Concerning the Imposition of District Fees, which authorizes the imposition of various fees and charges for services within the District. On September 10, 2013, the District amended and restated the resolution and adopted a schedule of fees and charges for costs associated with the services, programs, improvements, facilities, capital costs and/or operational costs provided by the District. The District entered into a First Amendment to the Joint Resolution Regarding Imposition of District fees on September 11, 2017 to require that payment of the Development fee is due prior to the issuance of a building permit with the District. The Development fee is a one-time fee and is imposed for services provided in connection with the construction and operations and maintenance of public facilities. The Development fee is determined pursuant to a fee schedule and may be automatically increased by five percent each year commencing January 1, 2014 and each January 1 until no dwelling units remain to be constructed within the District. During 2020, the District collected \$159,300 in Development fees.

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. The District does not have any items that qualify for reporting in this category.

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. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

1. Summary of Significant Accounting Policies (continued)

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund balances

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:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory or prepaid expenses) or is legally or contractually required to be maintained intact. The non-spendable fund balance of \$55,621 represents prepaid expenses.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

2. Revenue Recognition - 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 taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

3. Cash and Investments

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

Statement of net position:	
Cash and investments	\$ 380,099
Cash and investments - restricted	661,966
Total cash and investments	<u>\$ 1,042,065</u>

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

Deposits with institutions	\$ 38,099
Investments	1,003,966
Total	<u>\$ 1,042,065</u>

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

3. Cash and Investments (continued)

Investments

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

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

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

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

As of December 31, 2020, the District had the following investment:

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST offers shares in two portfolios, COLOTRUST Prime and COLOTRUST Plus. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST Plus may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by Standard and Poor's. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period. As of December 31, 2020, the District has \$1,003,967 invested in COLOTRUST.

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Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

3. Cash and Investments (continued)

Fair Value Measurement and Application

Certain investments are measured at 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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investments are not required to be categorized within the fair value hierarchy. The District values its investment in COLOTRUST using the net asset value method ("NAV") per share.

4. Capital Assets

Changes in capital assets for the year ended December 31, 2020 are as follows:

	Balance at January 1, 2020	Additions	Deletions	Balance at December 31, 2020
<u>Capital Assets Not Being Depreciated</u>				
Construction in Progress	\$ 37,422,611	\$ 7,806,798	\$ -	\$ 45,229,409
Total Capital Assets Not Being Depreciated	<u>\$ 37,422,611</u>	<u>\$ 7,806,798</u>	<u>\$ -</u>	<u>\$ 45,229,409</u>

Upon completion and acceptance, a majority of the capital assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

5. Long-Term Obligations

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

	Balances at January 1, 2020	Additions	Reductions	Balances at December 31, 2020	Current Portion
Governmental Activities:					
Developer advances:					
Capital - principal	\$ 7,692,128	\$ 7,877,322	\$ -	\$ 15,569,450	\$ -
Capital - interest	584,243	720,739	-	1,304,982	-
Operations - principal	98,979	-	-	98,979	-
Operations - interest	47,450	10,405	-	57,855	-
Total	<u>\$ 8,422,800</u>	<u>\$ 8,608,466</u>	<u>\$ -</u>	<u>\$ 17,031,266</u>	<u>\$ -</u>

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Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

5. Long-Term Obligations (continued)

The following are descriptions of the District's long-term obligations.

Reimbursement and Acquisition Agreement

On June 12, 2007, the District entered into a Reimbursement and Acquisition Agreement whereby the District agrees to reimburse Brookfield Residential, LLC (formerly CARMA, Inc.) (the "Developer"), for all District costs incurred by the Developer, whether by construction of public infrastructure or by advancement of funds to the District for the purpose of providing public infrastructure including all related costs such as organization costs, operations and maintenance, engineering, surveying, construction and the costs of acquiring public lands. The repayment of such costs is not to exceed \$100,000,000. Reimbursement obligations, as defined therein, do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The advances bear interest at a rate of 6% per annum from the date of the advance. The advances are to be repaid using bond proceeds or any other legally available revenues. The District did not receive funds from District No. 2 during 2019 to repay these advances. On February 13, 2019, this agreement was superseded by the Infrastructure Acquisition and Reimbursement Agreement.

Infrastructure Acquisition and Reimbursement Agreement

On February 13, 2019, the District entered into an Infrastructure Acquisition and Reimbursement Agreement which superseded and replaced the Reimbursement and Acquisition Agreement, whereby the District agrees to reimburse Barefoot, LLC (the "New Developer") for all District costs incurred by the New Developer, whether by construction of public infrastructure or by advancement of funds to the District for the purpose of providing public infrastructure including all related costs such as (but not limited to) organization costs, engineering, architectural, surveying, construction planning, and related legal, accounting and other professional services.

Upon demand by the New Developer, the District shall issue one or more Reimbursement Obligations payable to the New Developer for a principal amount up to the amount of certified eligible costs, as defined in the agreement. Such Reimbursement Obligations constitute multiple fiscal year financial obligations of the District and are subject to annual appropriation by the District, and will be secured by *ad valorem* property taxes as permitted by the District's Service Plan. The Reimbursement Obligations will be negotiated at market rates with specified maturity dates.

The advances (except to the extent converted to a Reimbursement Obligation) do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The advances bear interest at a rate of 6.5% per annum from the date of the advance. The advances and Reimbursement Obligations are to be repaid using bond proceeds or any other legally available revenues. As of December 31, 2020, all amounts are considered advances, and advances totaled \$15,668,429, plus \$1,362,837 in accrued interest.

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Notes to Basic Financial Statements
Year Ended December 31, 2020
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6. District Agreements

District Facilities Construction and Service Agreement ("Master IGA")

On June 12, 2007, the District entered into a District Facilities Construction and Service Agreement ("Master IGA") with District Nos. 2, 3, and 4. This Master IGA provides for the implementation of the principles and objectives set forth in the Districts' Service Plan regarding the financing, construction, operation and maintenance of the Districts' facilities. The Master IGA was superseded by (i) a Mill Levy Policy and Pledge Agreement dated as of November 9, 2016 (as subsequently amended and restated by the Amended and Restated Mill Levy Policy and Pledge Agreement dated December 1, 2017, the "Mill Levy Agreement"), among the St. Vrain Districts; and (ii) a District Operating Services Agreement dated as of November 9, 2016 (the "District Operating Services Agreement"), among the St. Vrain Districts.

Grant Agreement with State of Colorado

On September 22, 2014, the District entered into a Grant Agreement (the "Grant") with the State of Colorado – Department of Public Safety. During 2013, the District's infrastructure sustained severe damage as a result of flooding. The Grant reimburses the District for 75% federal and 12.5% state shares of the eligible FEMA public assistance program expenditures. The District is responsible for the remaining 12.5%. The maximum amount of the Grant is \$3,451,596. The Grant terminated on September 10, 2018. The District has submitted reimbursement requests during 2014 and 2015 for the costs the District believed were "eligible costs" under the Grant. At December 31, 2020, the District has a Grant Receivable in the amount of \$204,000 for requests submitted during 2017. The Grant Receivable is an estimate as the State may determine some costs are not eligible for reimbursement.

As of December 31, 2020, the District has recorded a total of \$1,804,680 of reimbursements from the Grant.

Mill Levy Policy Agreement

On November 9, 2016, the District entered into the Mill Levy Policy and Pledge Agreement, as amended and restated, to establish an equitable allocation of the costs of providing and maintaining the public improvements throughout the development. The Mill Levy Agreement stipulates that any revenue collected by any of District Nos. 2, 3, and 4 from their respective debt service mill levies and specific ownership taxes which are not pledged for debt service purposed for their own obligations shall be pledged to District No. 1 for the payment of debt obligations of District No. 1.

District Operating Services Agreement

On November 9, 2016, the District entered into a District Operating Services Agreement which provides that the District will provide operational and maintenance services to District Nos. 2, 3, and 4, and District Nos. 2, 3, and 4 will impose an operations and maintenance mill levy and remit the proceeds thereof to District No. 1 to pay for such services.

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Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

6. District Agreements (continued)

Intergovernmental Agreement with the Town of Firestone

On December 9, 2015, the District entered into an Intergovernmental Agreement with the Town of Firestone (the "Town") and District Nos. 2, 3 and 4 whereby, commencing with the certification of a mill levy in 2015 for collection in 2016, each of the Districts agree to annually impose, collect, transfer, convey and remit to the Town all revenues generated from a levy of five (5) mills that shall be imposed upon all taxable property of each such District. Each District shall remit these funds monthly to the Town. The Town will place these funds in a separate account to be used to maintain regional parks, regional trails and public streets within or benefitting the property within the boundaries of the Districts.

Firming Fees Intergovernmental Agreement

On May 8, 2019, the District entered into an intergovernmental agreement with Little Thompson Water District and Brookfield Residential LLC where the District is to act as an agent for collecting firming fees from lot owners residing within Barefoot Lakes. Barefoot Lakes is a mixed-use community in Firestone, Colorado which is being developed by Barefoot LLC, a subsidiary of Brookfield Residential LLC. The District makes annual payments to Little Thompson Water District on or about December 1st of each year, remitting firming fees collected from December 1st through November 30th of the following year. As of December 31, 2020, the District owed approximately \$45,300 to the Little Thompson Water District.

Developer Contribution Agreement

On November 30, 2020, the District entered into an agreement with Barefoot LLC. Barefoot agrees to contribute to the District one or more sums of money, not to exceed the aggregate of \$400,000. These funds shall be contributed to the District in one or a series of installments and shall be available to the District through December 31, 2021. During 2020, Barefoot contributed \$272,203 to the District which was included in Receivable – other as of December 31, 2020.

Barefoot has directed or intends to direct certain development activities or cause development activities to occur with respect to property included within and without the boundaries of the District (the "Project"), which depend upon the timely delivery of the District Services during development of the Project. The District has incurred and will incur costs in furtherance of providing the District Services that are directly related to the stage of development within the Project, including but not limited to costs related to the following: educating homebuilders on District matters and requirements; drafting and revising governing documents, agreements and procedures to account for Barefoot's evolving development plans; covenant enforcement related to newly built homes within the District, and certain increased landscaping repairs and maintenance costs tied to development of the Project (the "Costs").

The District does not presently have financial resources to provide funding for payment of Costs that are projected to be incurred prior to the anticipated availability of funds; and Barefoot is willing to contribute funds to the District to enable the District to provide the District Services in a timely manner, in accordance with the terms set forth in the Agreement.

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Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

7. Net Position

The District's net position consists of two components – restricted and unrestricted.

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

	Governmental Activities
Restricted net position:	
Emergency Reserves	\$ 42,873
Capital Projects	<u>820,167</u>
Total restricted net position	<u><u>\$ 863,040</u></u>

As of December 31, 2020, the District has unrestricted net position of \$28,905,404.

8. Economic Dependency

The District has not yet established a revenue base sufficient to pay for the District's capital improvement requirements. Until an independent revenue base is established, the continuation of capital improvements in the District will be dependent on funding by the Developer.

9. Related Party Transactions

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

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, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

11. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary and benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

12. Reconciliation of Government-wide Financial Statements and Fund Financial Statements

The governmental funds balance sheet/statement of net position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore, are not in the funds; and,
- 2) long-term liabilities such as developer advances and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2020
(See Independent Auditor's Report)

12. Reconciliation of Government-wide Financial Statements and Fund Financial Statements (Continued)

The governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of these assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities; and,
- 3) governmental funds report long-term debt payments as expenditures; however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Accompanying Supplemental Information
(See Independent Auditor's Report)

St. Vrain Lakes Metropolitan District No. 1

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual
Capital Projects Fund
Year Ended December 31, 2020
(See Independent Auditor's Report)

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ 4,148	\$ 4,148
Total revenues	<u>-</u>	<u>4,148</u>	<u>4,148</u>
Expenditures:			
Accepted costs	15,915,000	7,806,798	8,108,202
Capital services	35,000	18,785	16,215
General engineering	35,000	31,637	3,363
FEMA closeout project	20,000	-	20,000
Capital expenditures	23,000	-	23,000
Capital reserve study	25,000	-	25,000
Legal	60,000	42,852	17,148
Total expenditures	<u>16,113,000</u>	<u>7,900,072</u>	<u>8,212,928</u>
Excess (deficiency) of revenues over expenditures	(16,113,000)	(7,895,924)	8,217,076
Other financing sources:			
Developer advances	16,113,000	7,886,837	(8,226,163)
Total other financing sources	<u>16,113,000</u>	<u>7,886,837</u>	<u>(8,226,163)</u>
Net change in fund balance	-	(9,087)	(9,087)
Fund balance - beginning of year	<u>-</u>	<u>829,254</u>	<u>829,254</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 820,167</u>	<u>\$ 820,167</u>