

St. Vrain Lakes Metropolitan District No. 1

Year Ended December 31, 2021
with
Independent Auditor's Report

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

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Vrain Lakes Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of St. Vrain Lakes Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Other Matters

Required Supplemental Information

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

Supplemental 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 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 basic 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 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, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

July 28, 2022

St. Vrain Lakes Metropolitan District No. 1

Balance Sheet/Statement of Net Position
Governmental Funds
December 31, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:					
Cash and investments	\$ 1,157,205	\$ -	\$ 1,157,205	\$ -	\$ 1,157,205
Cash and investments - restricted	3,693	582,853	586,546	-	586,546
Prepaid expense	1,000		1,000	-	1,000
Receivable - County Treasurer	968	-	968	-	968
Receivable - other	460,748	-	460,748	-	460,748
Grant receivable	-	333,991	333,991	-	333,991
Property taxes receivable	38,044	-	38,044	-	38,044
Capital assets, not being depreciated	-	-	-	50,049,956	50,049,956
Total assets	<u>\$ 1,661,658</u>	<u>\$ 916,844</u>	<u>\$ 2,578,502</u>	<u>50,049,956</u>	<u>52,628,458</u>
Liabilities:					
Accounts payable	\$ 135,741	\$ -	\$ 135,741	-	135,741
Prepaid operations and maintenance fees	40,685	-	40,685	-	40,685
Due to District #2	38,827	-	38,827	-	38,827
Due to Little Thompson	147,123	-	147,123	-	147,123
Accrued interest	-	-	-	2,423,333	2,423,333
Long-term liabilities:					
Due in more than one year	-	-	-	20,502,382	20,502,382
Total liabilities	<u>362,376</u>	<u>-</u>	<u>362,376</u>	<u>22,925,715</u>	<u>23,288,091</u>
Deferred inflows of resources:					
Deferred property taxes	38,044	-	38,044	-	38,044
Total deferred inflow of resources	<u>38,044</u>	<u>-</u>	<u>38,044</u>	<u>-</u>	<u>38,044</u>
Fund balances:					
Nonspendable:					
Prepays	1,000	-	1,000	(1,000)	-
Restricted for:					
Emergencies	3,693	-	3,693	(3,693)	-
Capital projects	-	916,844	916,844	(916,844)	-
Unassigned	1,256,545	-	1,256,545	(1,256,545)	-
Total fund balances	<u>1,261,238</u>	<u>916,844</u>	<u>2,178,082</u>	<u>(2,178,082)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,661,658</u>	<u>\$ 916,844</u>	<u>\$ 2,578,502</u>		
Net position:					
Restricted for:					
Emergencies				3,693	3,693
Capital projects				916,844	916,844
Unrestricted				28,381,786	28,381,786
				<u>\$ 29,302,323</u>	<u>\$ 29,302,323</u>

(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, 2021

	General	Capital Projects	Total	Adjustments	Statement of Activities
Expenditures:					
Accounting, audit and finance	\$ 114,547	\$ -	\$ 114,547	\$ -	\$ 114,547
ARC review	35,470	-	35,470	-	35,470
Accepted costs	-	4,820,547	4,820,547	(4,820,547)	-
Capital services	-	12,415	12,415	-	12,415
Collections	17,564	-	17,564	-	17,564
Covenant enforcement	15,120	-	15,120	-	15,120
Community management	37,410	-	37,410	-	37,410
Community education and outreach	7,440	-	7,440	-	7,440
Development coordination	96,722	-	96,722	-	96,722
District facilities management	267,542	-	267,542	-	267,542
General engineering	-	15,803	15,803	-	15,803
Hardscape maintenance	6,117	-	6,117	-	6,117
Insurance	49,867	-	49,867	-	49,867
Lake, pool and playground amenities	337,207	-	337,207	-	337,207
Landscape maintenance	362,851	-	362,851	-	362,851
Legal	34,700	9,167	43,867	-	43,867
Modifications committee	10,844	-	10,844	-	10,844
Office, dues and other	10,685	-	10,685	-	10,685
Property transfers	9,630	-	9,630	-	9,630
Repairs and replacements	30,441	-	30,441	-	30,441
Town of Firestone - IGA	7,970	-	7,970	-	7,970
Treasurer's fees	1,757	-	1,757	-	1,757
Utilities	99,130	-	99,130	-	99,130
Website/newsletter	3,293	-	3,293	-	3,293
Contribution to Little Thompson	101,823	-	101,823	-	101,823
Miscellaneous	69,377	-	69,377	-	69,377
Social committee events	2,910	-	2,910	-	2,910
Interest on developer advances	-	-	-	1,060,496	1,060,496
Total expenditures	1,730,417	4,857,932	6,588,349	(3,760,051)	2,828,298
General revenues:					
Property taxes	68,018	-	68,018	-	68,018
Specific ownership taxes	5,991	-	5,991	-	5,991
Development fees	864,350	-	864,350	-	864,350
TIF fees	49,087	-	49,087	-	49,087
Firming fees	107,500	-	107,500	-	107,500
Developer contributions	345,937	-	345,937	-	345,937
Administrative transfer fees	12,375	-	12,375	-	12,375
General operations fees	484,954	-	484,954	-	484,954
ARC fees	34,725	-	34,725	-	34,725
FEMA grant	-	129,991	129,991	-	129,991
COVID relief	9,547	-	9,547	-	9,547
Covenant violation fees	1,875	-	1,875	-	1,875
Maintenance fees	15,746	-	15,746	-	15,746
Transfer from District No. 2	196,389	-	196,389	-	196,389
Transfer from District No. 3	19,953	-	19,953	-	19,953
Transfer from District No. 4	4,180	-	4,180	-	4,180
Investment earnings	1,610	180	1,790	-	1,790
Legal fees	11,158	-	11,158	-	11,158
Miscellaneous income	8,126	-	8,126	-	8,126
Total general revenues	2,241,521	130,171	2,371,692	-	2,371,692
Excess (deficiency) of revenue over expenditures	511,104	(4,727,761)	(4,216,657)	3,760,051	(456,606)
Other financing sources					
Developer advances	-	4,824,438	4,824,438	(4,833,953)	(9,515)
Total other financing sources	-	4,824,438	4,824,438	(4,833,953)	(9,515)
Net changes in fund balances	511,104	96,677	607,781	(607,781)	-
Change in net position	-	-	-	(466,121)	(466,121)
Fund balances/net position - beginning of year	750,134	820,167	1,570,301	28,198,143	29,768,444
Fund balances/net position - end of year	\$ 1,261,238	\$ 916,844	\$ 2,178,082	\$ 27,124,241	\$ 29,302,323

(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, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 70,700	\$ 68,018	\$ (2,682)
Specific ownership taxes	7,269	5,991	(1,278)
Development fees	525,100	864,350	339,250
TIF fees	49,083	49,087	4
Firming fees	-	107,500	107,500
Developer contributions	268,702	345,937	77,235
Administrative transfer fees	22,625	12,375	(10,250)
General operations fees	459,120	484,954	25,834
ARC fees	30,000	34,725	4,725
COVID Relief	-	9,547	9,547
Covenant violation fees	-	1,875	1,875
Maintenance fees	13,440	15,746	2,306
Transfer from District No. 2	197,149	196,389	(760)
Transfer from District No. 3	20,495	19,953	(542)
Transfer from District No. 4	4,258	4,180	(78)
Pier and dock revenue	5,000	-	(5,000)
Investment earnings	4,000	1,610	(2,390)
Legal fees	12,500	11,158	(1,342)
Miscellaneous income	-	8,126	8,126
Total revenues	1,689,441	2,241,521	553,422
Expenditures:			
Accounting, audit and finance	86,280	114,547	(28,267)
ARC review	31,240	35,470	(4,230)
Builder's district education	10,080	-	10,080
Collections	15,140	17,564	(2,424)
Covenant enforcement	28,320	15,120	13,200
Community management	47,040	37,410	9,630
Community education and outreach	17,280	7,440	9,840
Development coordination	27,360	96,722	(69,362)
District facilities management	236,640	267,542	(30,902)
Election	-	-	-
Hardscape maintenance	47,200	6,117	41,083
Insurance	62,821	49,867	12,954
Lake, pool and playground amenities	398,646	337,207	61,439
Landscape maintenance	375,604	362,851	12,753
Legal	70,000	34,700	35,300
Modifications committee	20,600	10,844	9,756
Office, dues and other	14,900	10,685	4,215
Property transfers	16,560	9,630	6,930
Repairs and replacements	66,000	30,441	35,559
Town of Firestone - IGA	8,152	7,970	182
Treasurer's fees	1,797	1,757	40
Utilities	142,000	99,130	42,870
Utility locates	1,000	-	1,000
Website/newsletter	10,000	3,293	6,707
Contribution to Little Thompson	-	101,823	(101,823)
Miscellaneous	-	69,377	(69,377)
Social committee events	10,000	2,910	7,090
Stormwater facilities	11,000	-	11,000
Contingency	30,000	-	30,000
Total expenditures	1,785,660	1,730,417	55,243
Excess (deficiency) of revenues over expenditures and net change in fund balance	(96,219)	511,104	608,665
Fund balance - beginning of year	560,732	750,134	189,402
Fund balance - end of year	<u>\$ 464,513</u>	<u>\$ 1,261,238</u>	<u>\$ 798,067</u>

(See Notes to Basic Financial Statements)

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

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, 2021, 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, 2021

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, 2021

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, 2021, 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, 2021

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 2021, the District collected \$864,350 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, 2021

1. Summary of Significant Accounting Policies (continued)

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.

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 \$1,000 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.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Fund balances (continued)

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.

2. Cash and Investments

Cash and investments as of December 31, 2021 are classified on the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 1,157,205
Cash and investments - restricted	586,546
Total cash and investments	<u>\$ 1,743,751</u>

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

Deposits with institutions	\$ 666,103
Investments	1,077,648
Total	<u>\$ 1,743,751</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, 2021

2. 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, 2021, 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, 2021, the District has \$1,077,648 invested in COLOTRUST.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

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, 2021 are as follows:

	Balance at January 1, 2021	Additions	Deletions	Balance at December 31, 2021
<u>Capital Assets Not Being Depreciated</u>				
Construction in Progress	\$ 45,229,409	\$ 4,820,547	\$ -	\$ 50,049,956
Total Capital Assets Not Being Depreciated	<u>\$ 45,229,409</u>	<u>\$ 4,820,547</u>	<u>\$ -</u>	<u>\$ 50,049,956</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, 2021 are as follows:

	Balances at January 1, 2021	Additions	Reductions	Balances at December 31, 2021	Current Portion
Governmental Activities:					
Developer advances:					
Capital - principal	\$ 15,569,450	\$ 4,833,953	\$ -	\$ 20,403,403	\$ -
Capital - interest	1,304,982	1,054,115	-	2,359,097	-
Operations - principal	98,979	-	-	98,979	-
Operations - interest	57,855	6,381	-	64,236	-
Total	<u>\$ 17,031,266</u>	<u>\$ 5,894,449</u>	<u>\$ -</u>	<u>\$ 22,925,715</u>	<u>\$ -</u>

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

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. 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, 2021, all amounts are considered advances, and advances totaled \$20,502,382, plus \$2,423,333 in accrued interest.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

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, 2021, the District has a Grant Receivable in the amount of \$333,991 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, 2021, 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.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

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, 2021, the District owed \$147,123 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 2021, Barefoot contributed \$345,937 to the District which was included in Receivable – other as of December 31, 2021.

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.

St. Vrain Lakes Metropolitan District No. 1

Notes to Basic Financial Statements
Year Ended December 31, 2021

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, 2021 as follows:

	Governmental Activities
Restricted net position:	
Emergency Reserves	\$ 3,693
Capital Projects	<u>916,844</u>
Total restricted net position	<u><u>\$ 920,537</u></u>

As of December 31, 2021 , the District has unrestricted net position of \$28,381,786.

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, 2021

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, 2021

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

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, 2021
(See Independent Auditor's Report)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	\$ 7,600	\$ 180	\$ (7,420)
Total revenues	<u>7,600</u>	<u>180</u>	<u>(7,420)</u>
Expenditures:			
Accepted costs	15,915,000	4,820,547	11,094,453
Capital services	35,000	12,415	22,585
General engineering	35,000	15,803	19,197
FEMA closeout project	10,000	-	10,000
Capital reserve study	25,000	-	25,000
Legal	60,000	9,167	50,833
Total expenditures	<u>16,080,000</u>	<u>4,857,932</u>	<u>11,222,068</u>
Excess (deficiency) of revenues over expenditures	(16,072,400)	(4,857,752)	11,214,648
Other financing sources:			
Developer advances	<u>16,072,400</u>	<u>4,824,438</u>	<u>(11,247,962)</u>
Total other financing sources	<u>16,072,400</u>	<u>4,824,438</u>	<u>(11,247,962)</u>
Net change in fund balance	-	(33,314)	(33,314)
Fund balance - beginning of year	<u>-</u>	<u>820,167</u>	<u>820,167</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 786,853</u>	<u>\$ 786,853</u>