

**St. Vrain Lakes Metropolitan District No. 1  
Weld County, Colorado**

**FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**December 31, 2018**

**St. Vrain Lakes Metropolitan District No. 1**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2018, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of St. Vrain Lakes Metropolitan District No. 1, as of December 31, 2018, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Economic Dependency*

The District has not yet established a revenue base sufficient to pay its capital improvement requirements. As discussed in Note 8, the District will be dependent upon the developer of the District's service area to provide funding for such expenditures.

### *Required Supplementary Information*

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

### *Other 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 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Fiscal Focus Partners, LLC*

Greenwood Village, Colorado  
November 11, 2019

**St. Vrain Lakes Metropolitan District No. 1**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 780,398
Cash and investments - Restricted	702,806
Receivable - other	231
Grant receivable	204,000
Prepaid expenses	13,540
Due from St. Vrain Lakes Metropolitan District No. 2	1,632
Due from St. Vrain Lakes Metropolitan District No. 3	2,357
Due from St. Vrain Lakes Metropolitan District No. 4	1,598
Property taxes receivable	470,149
Capital assets, not being depreciated	37,380,593
<b>Total assets</b>	<b>39,557,304</b>
<b>LIABILITIES</b>	
Accounts payable	92,420
Retainage payable	85,758
Long-term liabilities	
Due in more than one year	7,890,117
<b>Total liabilities</b>	<b>8,068,295</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	470,149
<b>Total deferred inflows of resources</b>	<b>470,149</b>
<b>NET POSITION</b>	
Restricted for:	
Emergency reserves	30,664
Capital projects	807,102
Unrestricted	30,181,094
<b>Total net position</b>	<b>\$ 31,018,860</b>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**St. Vrain Lakes Metropolitan District No. 1**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
			<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Primary government</b>				
General government	\$ (687,341)	\$ -	\$ 842,957	\$ 155,616
Interest on long-term debt and related costs	(115,686)	-	-	(115,686)
<b>Total governmental activities</b>	<u>\$ (803,027)</u>	<u>\$ -</u>	<u>\$ 842,957</u>	<u>39,930</u>
<b>General revenues:</b>				
				35,115
Transfer from St. Vrain Lakes Metropolitan District No. 2				84,556
Transfer from St. Vrain Lakes Metropolitan District No. 3				57,278
Transfer from St. Vrain Lakes Metropolitan District No. 4				103,697
Miscellaneous income				15,951
Interest income				<u>296,597</u>
<b>Total general revenues</b>				
				336,527
<b>Change in net position</b>				
Net position (restated) - beginning				<u>30,682,333</u>
Net position - ending				<u>\$ 31,018,860</u>

**St. Vrain Lakes Metropolitan District No. 1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 780,398	\$ -	\$ 780,398
Cash and investments - Restricted	8,025	694,781	702,806
Accounts receivable - other	231	-	231
Grant receivable	-	204,000	204,000
Prepaid expenses	13,540	-	13,540
Due from St. Vrain Lakes Metropolitan District No. 2	1,632	-	1,632
Due from St. Vrain Lakes Metropolitan District No. 3	2,357	-	2,357
Due from St. Vrain Lakes Metropolitan District No. 4	1,598	-	1,598
Property taxes receivable	470,149	-	470,149
<b>Total assets</b>	<u>1,277,930</u>	<u>898,781</u>	<u>2,176,711</u>
<b>LIABILITIES</b>			
Accounts payable	86,499	5,921	92,420
Retainage payable	-	85,758	85,758
<b>Total liabilities</b>	<u>86,499</u>	<u>91,679</u>	<u>178,178</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	470,149	-	470,149
<b>Total deferred inflows of resources</b>	<u>470,149</u>	<u>-</u>	<u>470,149</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid amounts	13,540	-	13,540
Restricted for:			
Emergencies	30,664	-	30,664
Capital projects	-	807,102	807,102
Committed for:			
Operations and maintenance of facilities	465,212	-	465,212
Unassigned	211,866	-	211,866
<b>Total fund balances</b>	<u>721,282</u>	<u>807,102</u>	<u>1,528,384</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,277,930</u>	<u>\$ 898,781</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 37,380,593

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

Developer advance payable	(7,722,644)
Accrued interest on Developer advance payable	(167,473)
Net position of governmental activities	<u>\$ 31,018,860</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**St. Vrain Lakes Metropolitan District No. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Administrative transfer fees	\$ 12,625	\$ -	\$ 12,625
General operations fees	69,482	-	69,482
ARC fees	8,400	-	8,400
Covenant violation fees	200	-	200
System development fees	752,250	-	752,250
Transfer from St. Vrain Lakes Metropolitan District No. 2	35,115	-	35,115
Transfer from St. Vrain Lakes Metropolitan District No. 3	84,556	-	84,556
Transfer from St. Vrain Lakes Metropolitan District No. 4	57,278	-	57,278
Investment earnings	-	15,951	15,951
Miscellaneous income	2,211	101,486	103,697
<b>Total revenues</b>	<u>1,022,117</u>	<u>117,437</u>	<u>1,139,554</u>
<b>Expenditures</b>			
General			
Accounting	57,463	-	57,463
ARC reviews	2,373	-	2,373
Audit	17,700	-	17,700
Legal	14,210	56,554	70,764
Insurance	13,000	-	13,000
Management	108,597	-	108,597
Miscellaneous expense	12,328	2,228	14,556
Amenities	101,600	-	101,600
Covenant enforcement	3,013	-	3,013
Facilities management	46,101	-	46,101
Hardscapes	30,924	-	30,924
Miscellaneous services	41,261	-	41,261
Landscape maintenance	146,724	-	146,724
Repair and replacement	34,323	-	34,323
Storm water facilities	1,688	-	1,688
Utilities	56,036	-	56,036
Capital			
Capital improvements	-	622,550	622,550
Accepted improvements	-	5,828,501	5,828,501
<b>Total expenditures</b>	<u>687,341</u>	<u>6,509,833</u>	<u>7,197,174</u>
<b>Excess of revenues over (under) expenditures</b>	<u>334,776</u>	<u>(6,392,396)</u>	<u>(6,057,620)</u>
<b>Other financing sources (uses)</b>			
Developer advances	-	6,887,388	6,887,388
<b>Total other financing sources and (uses)</b>	<u>-</u>	<u>6,887,388</u>	<u>6,887,388</u>
<b>Net change in fund balances</b>	334,776	494,992	829,768
<b>Fund balances (restated) - beginning</b>	<u>386,506</u>	<u>312,110</u>	<u>698,616</u>
<b>Fund balances - ending</b>	<u>\$ 721,282</u>	<u>\$ 807,102</u>	<u>\$ 1,528,384</u>

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**St. Vrain Lakes Metropolitan District No. 1**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2018**

Net change in fund balances - governmental funds: \$ 829,768

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of depreciation in the current period.

Capital outlay 6,509,833

The issuance of long-term debt (e.g., bond, Developer advances) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Developer advances (6,887,388)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest Developer advance payable - Change in liability (115,686)

Change in net position of governmental activities \$ 336,527

*The accompanying Notes to the Financial Statements are an integral part of these statements.*

St. Vrain Lakes Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1	\$ 1	\$ -	\$ (1)
Administrative transfer fees	15,625	11,875	12,625	750
General operations fees	74,100	65,500	69,482	3,982
ARC fees	14,096	8,550	8,400	(150)
Development fees	-	436,600	752,250	315,650
Covenant violation fees	-	-	200	200
Transfer from St. Vrain Lakes Metropolitan District No. 2	36,845	36,163	35,115	(1,048)
Transfer from St. Vrain Lakes Metropolitan District No. 3	88,910	87,021	84,556	(2,465)
Transfer from St. Vrain Lakes Metropolitan District No. 4	60,274	58,970	57,278	(1,692)
Interest income	120	-	-	-
Miscellaneous income	-	2,860	2,211	(649)
<b>Total revenues</b>	<u>289,971</u>	<u>707,540</u>	<u>1,022,117</u>	<u>314,577</u>
<b>EXPENDITURES</b>				
Accounting	6,000	55,000	57,463	(2,463)
ARC reviews	7,655	3,500	2,373	1,127
Audit	5,000	9,700	17,700	(8,000)
Legal	15,000	15,000	14,210	790
Insurance	15,000	13,000	13,000	-
Management	167,435	120,000	108,597	11,403
Miscellaneous expense	7,025	7,651	12,328	(4,677)
Covenant enforcement	-	5,000	3,013	1,987
Facilities management	-	46,101	46,101	-
Engineering	3,000	-	-	-
Landscape maintenance	139,150	117,061	146,724	(29,663)
Hardscapes	42,000	32,000	30,924	1,076
Storm water facilities	6,500	4,000	1,688	2,312
Amenities	98,735	75,000	101,600	(26,600)
Miscellaneous services	37,700	41,000	41,261	(261)
Repairs and replacement	40,000	45,000	34,323	10,677
Utilities	27,000	50,000	56,036	(6,036)
Contingency	9,565	59,298	-	59,298
Emergency reserve	18,516	-	-	-
<b>Total expenditures</b>	<u>645,281</u>	<u>698,311</u>	<u>687,341</u>	<u>10,970</u>
<b>Net change in fund balances</b>	<u>(355,310)</u>	<u>9,229</u>	<u>334,776</u>	<u>325,547</u>
<b>Fund balances - beginning</b>	<u>355,310</u>	<u>386,506</u>	<u>386,506</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ 395,735</u>	<u>\$ 721,282</u>	<u>\$ 325,547</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

## **St. Vrain Lakes Metropolitan District No. 1**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2018**

#### **Note 1 – Definition of Reporting Entity**

St. Vrain Lakes Metropolitan District No. 1 (the District) is a quasi-municipal corporation and political subdivision of the State of Colorado organized on November 29, 2006. The District was organized as part of a service plan establishing the District, St. Vrain Lakes Metropolitan District No. 2 (“District No. 1”), 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 Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

As of December 31, 2018 no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

#### **Note 2 – Summary of Significant Accounting Policies**

##### **A. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of net position reports all financial resources of the District. The difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources of the District is reported as net position.

**St. Vrain Lakes Metropolitan District No. 1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

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 customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

The District reports the following major governmental funds:

*The general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

*The capital project 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 FINANCIAL STATEMENTS (continued)**

**December 31, 2018**

#### **C. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **D. Budgetary Information**

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.

The District amended its annual budget for the year ended December 31, 2018.

#### **E. Pooled Cash and Investments**

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

#### **F. 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.

## St. Vrain Lakes Metropolitan District No. 1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

#### G. 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 Districts. 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 Districts. During 2018, the District collected \$752,250 in Development fees.

#### H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position sometimes reports 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 and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has no items that qualify for reporting in this category as of December 31, 2018.

In addition to liabilities, the statement of net position sometimes reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

#### I. 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. 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

## St. Vrain Lakes Metropolitan District No. 1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

depreciated over the remaining useful lives of the related fixed 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.

#### **J. 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 is legally or contractually required to be maintained intact.

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 FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Note 3 – Cash and Investments**

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 780,398
Cash and investments-Restricted	702,806
Total cash and investments	<u>\$ 1,483,204</u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with financial institutions	\$ 734,634
Investments	748,570
Total cash and investments	<u>\$ 1,483,204</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. The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

**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.

## St. Vrain Lakes Metropolitan District No. 1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

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

#### 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.

As of December 31, 2018, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Liquid Asset Trust (Colotrust)	Less than 1 year	<u>\$ 748,570</u>
Total investments		<u><u>\$ 748,570</u></u>

#### Colotrust

During 2018, the District invested in the Colorado Local Government Liquid Asset Trust (the Trust), 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 the Trust. The Trust 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 the Trust'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 the Trust. Colotrust is rated AAAM by Standard and Poor's. There are no

**St. Vrain Lakes Metropolitan District No. 1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Note 4 – Capital Assets**

Changes in capital assets for the year ended December 31, 2018 are as follows:

	Balance at December 31, 2017	Additions	Deletions	Balance at December 31, 2018
Capital assets, not being depreciated				
Construction in progress	\$ 30,870,760	\$ 6,509,833	\$ -	\$ 37,380,593
Total capital assets, not being depreciated	<u>\$ 30,870,760</u>	<u>\$ 6,509,833</u>	<u>\$ -</u>	<u>\$ 37,380,593</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.

**Note 5 – Long-Term Debt**

Changes in long-term debt for the year ended December 31, 2018 are summarized as follows:

	Balance at December 31, 2017	Additions	Reductions	Balance at December 31, 2018	Due Within One Year
<b>Governmental Activities:</b>					
Developer advances:					
Capital - principal	\$ 736,276	\$ 6,887,388	\$ -	\$ 7,623,664	\$ -
Capital - interest	16,216	109,747	-	125,963	-
Operations - principal	98,979	-	-	98,979	-
Operations - interest	35,572	5,939	-	41,511	-
	<u>\$ 887,043</u>	<u>\$ 6,997,135</u>	<u>\$ -</u>	<u>\$ 7,890,117</u>	<u>\$ -</u>

**A. 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.) (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 constitute multiple fiscal year financial

## St. Vrain Lakes Metropolitan District No. 1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

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 2018 to repay these advances. On February 13, 2019, this agreement was superseded.

#### **B. Debt Authorization**

On November 7, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,998,000,000 at an interest rate not to exceed 18%. No general obligation debt has been issued as of December 31, 2018. The District has not budgeted to issue new debt during 2019. Per the District's Service Plan, the District cannot issue debt in excess of \$166,500,000 as a combined level with District Nos. 2, 3, and 4.

#### **Note 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 supersede 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 (Grant) with the State of Colorado – Department of Public Safety. During 2013, the District's infrastructure sustained severe damage as a result of weather related 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 terminates 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, 2018, 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.

## St. Vrain Lakes Metropolitan District No. 1

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

As of December 31, 2018, 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.

#### **Intergovernmental Agreement with the Town of Firestone**

On December 9, 2015, the District entered into an Intergovernmental Agreement with the Town of Firestone (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.

#### **Note 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 has restricted net position as of December 31, 2018 as follows:

St. Vrain Lakes Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS  
(continued)

December 31, 2018

	<u>Governmental Activities</u>
Restricted net position:	
Emergency reserve	\$ 30,664
Capital projects	807,102
Total restricted net position	<u>\$ 837,766</u>

As of December 31, 2018, the District has unrestricted net position of \$30,181,094.

**Note 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.

**Note 9 – Related Party**

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.

**Note 10 – Risk Management**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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 FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Note 11 - Tax, Spending and Debt Limitation**

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.

**Note 12 – Construction Commitments**

The District has approved various major construction contracts for the design, construction and installation of various infrastructure improvements. At December 31, 2018, the remaining balances of these outstanding contracts totaled approximately \$186,730.

**Note 13 – Compliance with State Audit Law**

Colorado Revised Statutes require that local governments submit audited financial statements for calendar year end by July 31, or September 30 if granted an extension, of the following year. The District was not in compliance with the statutory requirement.

**St. Vrain Lakes Metropolitan District No. 1**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2018**

**Note 14 – Restatement**

The District restated its prior year net position due to an understatement of expenditures and the recording of a developer receivable. The District restated its prior year fund balance in the capital projects fund due to an understatement of expenditures. The result of the restatement of net position and fund balance is as follows:

Net position - December 31, 2017	\$ 30,788,735
Adjustment for prior year expenditures	(87,979)
Adjustment for prior year Developer receivable	(18,423)
Net position - restated December 31, 2017	<u>\$ 30,682,333</u>

Fund Balance - December 31, 2017	\$ 400,089
Adjustment for prior year expenditures	(87,979)
Fund Balance - restated December 31, 2017	<u>\$ 312,110</u>

SUPPLEMENTAL INFORMATION

St. Vrain Lakes Metropolitan District No. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Development fees	\$ 265,500	\$ -	\$ (265,500)
Investment earnings	150	15,951	15,801
Miscellaneous income	-	101,486	101,486
<b>Total revenues</b>	<u>265,650</u>	<u>117,437</u>	<u>(148,213)</u>
<b>EXPENDITURES</b>			
Accounting	18,000	-	18,000
Legal	45,000	56,554	(11,554)
Miscellaneous	-	2,228	(2,228)
Capital improvements	9,179,044	622,550	8,556,494
Accepted improvements	5,000,000	5,828,501	(828,501)
<b>Total expenditures</b>	<u>14,242,044</u>	<u>6,509,833</u>	<u>7,732,211</u>
<b>Excess of expenditures over (under) revenues</b>	(13,976,394)	(6,392,396)	7,583,998
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advances	13,976,394	6,887,388	(7,089,006)
Total other financing sources (uses)	<u>13,976,394</u>	<u>6,887,388</u>	<u>(7,089,006)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>494,992</u>	<u>494,992</u>
<b>Fund balances - beginning</b>	<u>-</u>	<u>312,110</u>	<u>312,110</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ 807,102</u>	<u>\$ 807,102</u>