

**FOUNDRY LOVELAND METROPOLITAN
DISTRICT**

BASIC FINANCIAL STATEMENTS

December 31, 2019

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Foundry Loveland Metropolitan District
Loveland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Foundry Loveland Metropolitan District as of and for the year ended December 31, 2019, 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 the Foundry Loveland Metropolitan District, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 18 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion 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 individual fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedule is fairly stated in all material respects in relation to the financial statements as a whole.

John Luthr & Associates, LLC

July 31, 2020

BASIC FINANCIAL STATEMENTS

FOUNDRY LOVELAND METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 1,272
Restricted Cash and Investments	89,705
Accounts Receivable	31,653
Property Taxes Receivable	189,973
Prepaid Expenses	3,741
Capital Assets, depreciated, net of accumulated depreciation	<u>1,765,426</u>
TOTAL ASSETS	<u>2,081,770</u>
LIABILITIES	
Accounts Payable	32,119
Accrued Interest	30,450
Noncurrent Liabilities	
Due within One Year	297,962
Due in more than One Year	<u>800,000</u>
TOTAL LIABILITIES	<u>1,160,531</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>189,973</u>
NET POSITION	
Net Investment in Capital Assets	965,426
Restricted for Emergencies	800
Restricted for Debt Service	89,705
Unrestricted	<u>(324,665)</u>
TOTAL NET POSITION	<u><u>\$ 731,266</u></u>

The accompanying notes are an integral part of the financial statements.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Changes in Net Position Governmental Activities</u>
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	\$ 255,737	\$ -	\$ (255,737)
Interest and Other Fiscal Charges	182,847	-	(182,847)
	<u>\$ 438,584</u>	<u>\$ -</u>	(438,584)
GENERAL REVENUES			
Taxes			24,331
Interest			248
SPECIAL ITEM			
Capital Contribution from Developer			<u>1,405,808</u>
			<u>1,430,387</u>
CHANGE IN NET POSITION			
			991,803
NET POSITION, Beginning			<u>(260,537)</u>
NET POSITION, Ending			<u>\$ 731,266</u>

The accompanying notes are an integral part of the financial statements.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 1,272	\$ -	\$ -	\$ 1,272
Restricted Cash and Investments	-	89,705	-	89,705
Accounts Receivable	31,653	-	-	31,653
Property Taxes Receivable	186,175	3,798	-	189,973
Prepaid Items	3,741	-	-	3,741
	<u>3,741</u>	<u>-</u>	<u>-</u>	<u>3,741</u>
TOTAL ASSETS	<u>\$ 222,841</u>	<u>\$ 93,503</u>	<u>\$ -</u>	<u>\$ 316,344</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 32,119	\$ -	\$ -	\$ 32,119
	<u>32,119</u>	<u>-</u>	<u>-</u>	<u>32,119</u>
TOTAL LIABILITIES	<u>32,119</u>	<u>-</u>	<u>-</u>	<u>32,119</u>
LIABILITIES				
Deferred Property Tax Revenue	186,175	3,798	-	189,973
	<u>186,175</u>	<u>3,798</u>	<u>-</u>	<u>189,973</u>
FUND EQUITY				
Fund Balance				
Nonspendable	3,741	-	-	3,741
Restricted for Emergencies	800	-	-	800
Restricted for Debt Service	-	89,705	-	89,705
Unassigned	6	-	-	6
	<u>4,547</u>	<u>89,705</u>	<u>-</u>	<u>94,252</u>
TOTAL FUND EQUITY	<u>4,547</u>	<u>89,705</u>	<u>-</u>	<u>94,252</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY	<u>\$ 222,841</u>	<u>\$ 93,503</u>	<u>\$ -</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.

1,765,426

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include loans payable (\$800,000), developer advances (\$297,962), and accrued interest on developer advances (\$30,450).

(1,128,412)

Net position of governmental activities

\$ 731,266

The accompanying notes are an integral part of the financial statements.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 22,331	\$ -	\$ -	\$ 22,331
Specific Ownership Taxes	2,000	-	-	2,000
Interest	-	92	156	248
TOTAL REVENUES	24,331	92	156	24,579
EXPENDITURES				
Current				
General Government	115,324	-	12,880	128,204
Capital Outlay	-	-	487,151	487,151
Bond Issuance Costs	-	-	135,868	135,868
Debt Service				
Principal	-	-	57,317	57,317
Interest	-	24,387	5,820	30,207
TOTAL EXPENDITURES	115,324	24,387	699,036	838,747
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(90,993)	(24,295)	(698,880)	(814,168)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	114,000	12,880	126,880
Transfers Out	(12,880)	-	(114,000)	(126,880)
Proceeds from Debt Issuance	-	-	800,000	800,000
Proceeds from Developer Advances	105,326	-	-	105,326
TOTAL OTHER FINANCING SOURCES (USES)	92,446	114,000	698,880	905,326
NET CHANGE IN FUND BALANCES	1,453	89,705	-	91,158
FUND BALANCES, Beginning	3,094	-	-	3,094
FUND BALANCES, Ending	<u>\$ 4,547</u>	<u>\$ 89,705</u>	<u>\$ -</u>	<u>\$ 94,252</u>

The accompanying notes are an integral part of the financial statements.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 91,158
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the amount by which capital outlay \$487,151 and capital contributions \$1,305,808, exceeded depreciation expense (\$27,533), in the current period.	1,765,426
Debt proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(905,326)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount includes repayment of developer advances of \$57,317 and change in accrued interest of (\$16,772).	<u>40,545</u>
Change in Net Position of Governmental Activities	<u><u>\$ 991,803</u></u>

The accompanying notes are an integral part of the financial statements.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundry Loveland Metropolitan District was established to provide construction, financing, operations, and maintenance of the public improvements in the Foundry development, a mixed-use project located within the boundaries of City of Loveland. The District is governed by a five-member Board of Directors elected by the eligible electors.

The accounting policies of the Foundry Loveland Metropolitan District (the “District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the Foundry Loveland Metropolitan District has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources to service the debt of the District.

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method, infrastructure and improvements over 20 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property Taxes

The District certifies its property taxes expressed as a mill levy, on or before December 15. Property taxes attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While District management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At December 31, 2019, the District reports Prepaid Items as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The District has also classified the balances of the Debt Service Fund as restricted as its use is restricted for the repayment of long-term debt.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2019.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

A summary of deposits of December 31, 2019 follows:

Cash Deposits \$ 90,977

Cash is reported in the financial statements as follows:

Cash and Investments \$ 1,272

Restricted Cash and Investments 89,705

Total \$ 90,977

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The District has no policy regarding custodial credit risk for deposits.

At December 31, 2019, the District had deposits with financial institutions with a carrying amount of \$90,977. The bank balances with the financial institutions were \$90,977, all of which were covered by federal depository insurance.

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government 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
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado local governments. As of December 31, 2019, the District did not hold any investments and is not subject to credit risk.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash

Cash in the amount of \$89,705 is restricted in the Debt Service Fund for the District's ongoing debt service and reserve requirements related to the District's 2019 Limited Tax General Obligation Loan.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019, is summarized below:

	<u>Balances</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/2019</u>
Governmental Activities				
Capital Assets, depreciated				
Infrastructure and Improvements	\$ _____ -	\$ 1,792,959	\$ _____ -	\$ 1,792,959
Accumulated Depreciation				
Infrastructure and Improvements	_____ -	27,533	_____ -	27,533
Total Capital Assets	<u>\$ _____ -</u>	<u>\$ 1,765,426</u>	<u>\$ _____ -</u>	<u>\$ 1,765,426</u>

Depreciation expense was charged to the General Government activity.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2019.

	<u>Balance</u> <u>12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due In</u> <u>One Year</u>
2019 G.O. Loan Payable	\$ -	\$ 800,000	\$ -	\$ 800,000	\$ -
Developer Advances	247,783	107,496	57,317	297,962	297,962
Accrued Interest on Developer Advances	15,848	17,425	5,820	27,453	-
Total	<u>\$ 263,631</u>	<u>\$ 924,921</u>	<u>\$ 63,137</u>	<u>\$ 1,125,415</u>	<u>\$ 297,962</u>

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Series 2019 Limited Tax General Obligation Loan Payable

In April 2019, the District issued its Series 2019 Limited Tax General Obligation Loan in the amount of \$800,000 for the purpose of providing certain improvements and facilities within the boundaries of the District. Principal payments are due annually on December 1 and interest payments are due semi-annually on June 1 and December 1, through December 1, 2030. Interest accrues at a fixed rate of 4.65%. In the event of default, the Loan balance share bear interest at a rate of 8.65%.

The District may prepay the Loan in whole, or with consent of the Lender, in part, on any date, at a prepayment price equal to the sum of the principal plus accrued interest, without any prepayment penalty or premium.

Developer Advances

On March 16, 2017, the District entered into a 2017 Funding and Reimbursement Agreement (the “2017 Agreement”), with The Foundry Loveland, LLC (the “Developer”), pursuant to which the Developer agreed to advance funds to the District in an amount not to exceed \$100,000 through December 31, 2017, and the District agreed to repay the Developer for such funds, for costs associated with the District’s operation and maintenance costs and general expenditures of the District. On October 19, 2017, the District and Developer entered into a First Amendment to the 2017 Agreement pursuant to which the Developer agreed to loan the District up to \$230,000 in funds through December 31, 2018. On November 29, 2018, the District and Developer entered into a Second Amendment to the 2017 Agreement pursuant to which the Developer agreed to loan the District up to \$300,000 in funds through December 31, 2019. To evidence the District’s reimbursement obligation to the Developer, the District issued a subordinated promissory note to the Developer, dated January 1, 2019, which note refunded a previously issued subordinated promissory note. The Note was issued in an amount not to exceed \$300,000, with an interest rate of Two Percent (2%) plus the current Federal Reserve Board Prime Rate, or 6% whatever is greater, simple interest, and maturity date of December 31, 2019. On November 21, 2019, the District determined that it would have insufficient funds to pay the Note in full at maturity and agreed to refund the Note and issue a new subordinate promissory note to the Developer on January 1, 2020 with a maturity date of December 31, 2020, pursuant to the terms of the 2017 Agreement.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 37,200	\$ 37,200
2021	14,000	37,200	51,200
2022	15,000	36,550	51,550
2023	16,000	35,852	51,852
2024	17,000	35,108	52,108
2025 - 2029	100,000	162,750	262,750
2030	<u>638,000</u>	<u>29,668</u>	<u>667,668</u>
Total	<u>\$ 800,000</u>	<u>\$ 374,328</u>	<u>\$ 1,174,328</u>

Authorized Debt

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$18,000,000 at an interest rate not to exceed 18% per annum. As of December 31, 2019, the District had authorized but unissued indebtedness in the amount of \$16,844,721.

NOTE 6: RELATED PARTIES

The members of the Board of Directors are employees, owners, or are otherwise associated with the developer, The Foundry Loveland, LLC (the “Developer”) and have disclosed any potential conflicts of interest in taking action on matters brought before the Board.

For the year ended December 31, 2019, the District paid the Developer \$63,137 for principal and accrued interest on Developer Advances and reimbursed the Developer for capital improvements in the amount of \$387,151. In return, the Developer conveyed infrastructure improvements valued at \$1,792,959 to the District, resulting in a Capital Contribution from Developer in the amount of \$1,405,808.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: 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) as of December 31, 2019. 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 the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8: COMMITMENTS AND CONTINGENCIES

District Pledge Agreement

The District Pledge Agreement (the "DPA"), dated April 26, 2017, was entered into between the District and the City of Loveland, Colorado (the "City"). Pursuant to the DPA, the District is required to impose the District Debt Service Mill Levy in a minimum amount of twenty-five (25) mills levied by the District and remit the Property Tax Revenues and Specific Ownership Taxes at the written direction of the City or so long as the City continues to finance the public improvements agreed upon by the Developer and the City under the Disposition and Redevelopment Agreement (the "DRA").

On November 1, 2017, the District approved a first amendment to the DPA, which discussed the imposition of a Lodger's Fee at a rate of 2% and required the District to impose a District Parking Operations Mill Levy in an amount sufficient to make up any difference between \$78,000 and such amount generated from the imposition of the Lodger's Fee. On January 15, 2019, the District approved a second amendment to this agreement which provides that the District shall not be required to impose its District Parking Operations Mill Levy, to the extent that the Developer provides a surety bond or other guarantee satisfactory to the City, that would fund the Lodger's Fee Shortfall. This amendment also authorized issuance of Debt by the District, in one or more series, to finance certain public improvements outlined in the DRA between the Developer and the City. For the year ended December 31, 2019, the District paid \$11,261, as required per the terms of this agreement.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

TABOR Amendment

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2019, the emergency reserve of \$800 was recorded in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

COVID-19

Potential subsequent events were considered through July 31, 2020. It was determined that the following event is required to be disclosed through this date.

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash backflows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

FOUNDRY LOVELAND METROPOLITAN DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Property Taxes	\$ 18,498	\$ 22,331	\$ 3,833
Specific Ownership	1,251	2,000	749
TOTAL REVENUES	19,749	24,331	4,582
EXPENDITURES			
Current			
General Government			
Accounting and Administration	23,575	23,575	-
District Management	17,020	15,870	1,150
Audit	7,500	-	7,500
Board of Director's Payroll	1,615	1,876	(261)
Treasurer's Fees	370	446	(76)
Insurance	4,000	2,793	1,207
Legal	25,000	40,920	(15,920)
Office, Dues and Other	2,500	13,731	(11,231)
Payment to the City of Loveland	11,561	11,261	300
Plaza O&M	100,000	4,852	95,148
Contingency	10,000	-	10,000
TOTAL EXPENDITURES	203,141	115,324	87,817
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(183,392)	(90,993)	92,399
OTHER FINANCING (USES)			
Transfers Out	-	(12,880)	(12,880)
Proceeds from Developer Advances	187,392	105,326	(82,066)
TOTAL OTHER FINANCING SOURCES AND (USES)	187,392	92,446	(94,946)
NET CHANGE IN FUND BALANCE	4,000	1,453	(2,547)
FUND BALANCE, Beginning	2,493	3,094	601
FUND BALANCE, Ending	\$ 6,493	\$ 4,547	\$ (1,946)

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULE

FOUNDRY LOVELAND METROPOLITAN DISTRICT

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 4,624	\$ -	\$ -	\$ -
Specific Ownership Taxes	324	-	-	-
Interest Income	-	-	92	92
TOTAL REVENUES	<u>4,948</u>	<u>-</u>	<u>92</u>	<u>92</u>
EXPENDITURES				
Current				
General Government				
Fees	92	-	-	-
Debt Service				
Interest	<u>48,750</u>	<u>40,000</u>	<u>24,387</u>	<u>15,613</u>
TOTAL EXPENDITURES	<u>48,842</u>	<u>40,000</u>	<u>24,387</u>	<u>15,613</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>114,000</u>	<u>114,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>114,000</u>	<u>114,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(43,894)	74,000	89,705	15,705
FUND BALANCE, Beginning	<u>124,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 80,106</u>	<u>\$ 74,000</u>	<u>\$ 89,705</u>	<u>\$ 15,705</u>

See the accompanying independent auditors' report.

FOUNDRY LOVELAND METROPOLITAN DISTRICT

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Interest Income	\$ -	\$ -	\$ 156	\$ 156
TOTAL REVENUES	-	-	156	156
EXPENDITURES				
Current				
General Government				
District Management	-	5,000	12,880	(7,880)
Capital Outlay	-	500,000	487,151	12,849
Bond Issuance Costs	-	135,868	135,868	-
Debt Service				
Principal	-	544,312	57,317	486,995
Interest	-	5,820	5,820	-
TOTAL EXPENDITURES	-	1,191,000	699,036	491,964
OTHER FINANCING SOURCES (USES)				
Transfers In	-	5,000	12,880	7,880
Transfers Out	-	(114,000)	(114,000)	-
Proceeds from Debt Issuance		800,000	800,000	-
Proceeds from Developer Advances	-	500,000	-	(500,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	-	1,191,000	698,880	(492,120)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning	-	171,065	-	171,065
FUND BALANCE, Ending	\$ -	\$ 171,065	\$ -	\$ (171,065)

See the accompanying independent auditors' report.