

**THE BRANDS METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**THE BRANDS METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021**

| | |
|--|-----------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 1 |
| STATEMENT OF ACTIVITIES | 2 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET – GOVERNMENTAL FUNDS | 3 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS | 4 |
| RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 5 |
| GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 6 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION | |
| CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 20 |
| OTHER INFORMATION | |
| SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED | 22 |

Independent Auditor's Report

To the Board of Directors
The Brands Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of The Brands 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 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of The Brands Metropolitan District No. 1, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Brands Metropolitan District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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 Brands Metropolitan District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Brands Metropolitan District No. 1'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 Brands Metropolitan District No. 1'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 Supplementary Information

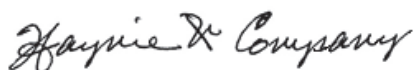
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Brands Metropolitan District No. 1's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Littleton, Colorado
September 28, 2022

BASIC FINANCIAL STATEMENTS

THE BRANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 181 |
| Cash and Investments - Restricted | 7,000 |
| Receivable - Other | 4,460 |
| Receivable - Public Improvement Fees | 104,914 |
| Receivable - Sales Tax Rebate | 64,402 |
| Capital Assets, Not Being Depreciated: | |
| Construction in Progress | <u>7,949,733</u> |
| Total Assets | <u>8,130,690</u> |
| LIABILITIES | |
| Accounts Payable | 47,830 |
| Due to District No. 2 | 128,137 |
| Other Liabilities | 450 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | <u>7,364,214</u> |
| Total Liabilities | <u>7,540,631</u> |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserves | 7,000 |
| Unrestricted | <u>583,059</u> |
| Total Net Position | <u><u>\$ 590,059</u></u> |

See accompanying Notes to Basic Financial Statements.

**THE BRANDS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

| | General | Capital Projects | Total Governmental Funds |
|--|------------|---------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 181 | \$ - | \$ 181 |
| Cash and Investments - Restricted | 7,000 | - | 7,000 |
| Receivable - Other | 4,460 | - | 4,460 |
| Receivable - Public Improvement Fees | 104,914 | - | 104,914 |
| Receivable - Sales Tax Rebate | 64,402 | - | 64,402 |
| Total Assets | \$ 180,957 | \$ - | \$ 180,957 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 47,830 | \$ - | \$ 47,830 |
| Due to District No. 2 | 128,137 | - | 128,137 |
| Other Liabilities | 450 | - | 450 |
| Total Liabilities | 176,417 | - | 176,417 |
| FUND BALANCES | | | |
| Restricted: | | | |
| Emergency Reserves | 7,000 | - | 7,000 |
| Unrestricted: | | | |
| General Government | (2,460) | - | (2,460) |
| Total Fund Balances | 4,540 | - | 4,540 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 180,957 | \$ - | |
| 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. | | | |
| Capital Assets, Not Being Depreciated | | | 7,949,733 |
| Long-term liabilities, including Developer Advances, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds. | | | |
| Developer Advance Payable - Operating | | | (229,197) |
| Developer Advance Payable - Capital | | | (6,646,733) |
| Developer Advance Interest Payable - Operating | | | (97,857) |
| Developer Advance Interest Payable - Capital | | | (390,427) |
| Net Position of Governmental Activities | | | \$ 590,059 |

See accompanying Notes to Basic Financial Statements.

THE BRANDS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

| | General | Capital Projects | Total Governmental Funds |
|---|------------|---------------------|--------------------------------|
| REVENUES | | | |
| Public Improvement Fees | \$ 116,034 | \$ - | \$ 116,034 |
| Sales Tax Rebate | 64,402 | - | 64,402 |
| Transfer from District No. 2 - Net Taxes | 50,000 | - | 50,000 |
| Transfer from District No. 2 - Project Fund | - | 1,303,000 | 1,303,000 |
| Total Revenues | 230,436 | 1,303,000 | 1,533,436 |
| EXPENDITURES | | | |
| General: | | | |
| Accounting | 42,894 | - | 42,894 |
| Dues and Membership | 1,068 | - | 1,068 |
| Engineering | 10,305 | - | 10,305 |
| Insurance | 7,584 | - | 7,584 |
| Landscaping | 5,456 | - | 5,456 |
| Legal | 28,041 | - | 28,041 |
| Miscellaneous | 20 | - | 20 |
| Snow Removal | 1,000 | - | 1,000 |
| Transfer to District No. 2 - PIF | 70,534 | - | 70,534 |
| Transfer to District No. 2 - Sales Tax Rebate | 64,402 | - | 64,402 |
| Capital Projects: | | | |
| Public Improvements - Certified Costs | - | 7,949,733 | 7,949,733 |
| Total Expenditures | 231,304 | 7,949,733 | 8,181,037 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (868) | (6,646,733) | (6,647,601) |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance - Certified Costs | - | 7,949,733 | 7,949,733 |
| Repayment of Developer Advance | - | (1,303,000) | (1,303,000) |
| Total Other Financing Sources (Uses) | - | 6,646,733 | 6,646,733 |
| NET CHANGE IN FUND BALANCES | (868) | - | (868) |
| Fund Balances - Beginning of Year | 5,408 | - | 5,408 |
| FUND BALANCES - END OF YEAR | \$ 4,540 | \$ - | \$ 4,540 |

See accompanying Notes to Basic Financial Statements.

**THE BRANDS METROPOLITAN DISTRICT NO. 1
 RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds \$ (868)

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/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay - Current Year 7,949,733

The issuance of long-term debt (e.g., bonds, Developer Advance) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advance - Principal - Capital (7,949,733)

Repayment of Developer Advance - Capital 1,303,000

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

Accrued Interest on Developer Advances - Change in Liability (408,764)

Change in Net Position of Governmental Activities \$ 893,368

**THE BRANDS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Public Improvement Fees | \$ - | \$ 117,000 | \$ 116,034 | \$ (966) |
| Sales Tax Rebate | - | 64,500 | 64,402 | (98) |
| Transfer from District No. 2 - Net Taxes | 74,866 | 52,000 | 50,000 | (2,000) |
| Total Revenues | <u>74,866</u> | <u>233,500</u> | <u>230,436</u> | <u>(3,064)</u> |
| EXPENDITURES | | | | |
| Accounting | 10,000 | 50,000 | 42,894 | 7,106 |
| Dues and Membership | 1,000 | 1,100 | 1,068 | 32 |
| Engineering | - | - | 10,305 | (10,305) |
| Insurance | 1,000 | 8,000 | 7,584 | 416 |
| Landscaping | 7,500 | 6,000 | 5,456 | 544 |
| Legal | 20,000 | 40,000 | 28,041 | 11,959 |
| Miscellaneous | 1,000 | 100 | 20 | 80 |
| Snow Removal | 5,000 | 1,000 | 1,000 | - |
| Transfer to District No. 2 - PIF | - | 71,500 | 70,534 | 966 |
| Transfer to District No. 2 - Sales Tax Rebate | - | 64,500 | 64,402 | 98 |
| Contingency | 2,000 | 7,800 | - | 7,800 |
| Total Expenditures | <u>47,500</u> | <u>250,000</u> | <u>231,304</u> | <u>18,696</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 27,366 | (16,500) | (868) | 15,632 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | - | 18,500 | - | (18,500) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>18,500</u> | <u>-</u> | <u>(18,500)</u> |
| NET CHANGE IN FUND BALANCE | 27,366 | 2,000 | (868) | (2,868) |
| Fund Balance - Beginning of Year | <u>43,893</u> | <u>5,408</u> | <u>5,408</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 71,259</u> | <u>\$ 7,408</u> | <u>\$ 4,540</u> | <u>\$ (2,868)</u> |

See accompanying Notes to Basic Financial Statements.

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

The Brands Metropolitan District No. 1 (the District) (formerly known as Eagle Crossing Loveland Metropolitan District No. 1), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Larimer County, Colorado, on January 6, 2015, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide financing for the planning, design, acquisition, construction, installation, relocation, redevelopment, operations, and maintenance of the public improvements within the District including streets, parks and recreation, water and wastewater facilities, transportation, mosquito control, safety protection, fire protection, television relay and translation, and security. The District was organized in conjunction with three other related Districts – The Brands Metropolitan District No. 2, No. 3, and No. 4 (formerly known as Eagle Crossing Loveland Metropolitan District No. 2, No. 3, and No. 4). The District serves as the Operating District which is responsible for coordinating the financing, construction, and maintenance of all Public Improvements and other services needed for The Brands Metropolitan District Nos. 2-4 (Financing Districts), which are responsible for providing the tax base needed to support financing of capital improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, public improvement fees, and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

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

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2021.

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 governments, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at an acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset nor materially extended the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

**THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the board of directors. The constraint may be removed or changed only through formal action of the board of directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

| | |
|-----------------------------------|----------|
| Cash and Investments | \$ 181 |
| Cash and Investments - Restricted | 7,000 |
| Total Cash and Investments | \$ 7,181 |

Cash and investments as of December 31, 2021, consist of the following:

| | |
|--------------------------------------|----------|
| Deposits with Financial Institutions | \$ 7,181 |
| Total Cash and Investments | \$ 7,181 |

Deposits with Financial Institutions

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

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2021, the District's cash deposits had a bank balance and carrying balance of \$7,181.

Investments

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

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

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

As of December 31, 2021, the District had no investments.

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS

An analysis of the changes in the District's capital assets for the year ended December 31, 2021 follows:

| | Balance - December 31, 2020 | Additions | Reductions | Balance - December 31, 2021 |
|---|-----------------------------------|---------------------|-------------|-----------------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ - | \$ 7,949,733 | \$ - | \$ 7,949,733 |
| Total Capital Assets, Not Being Depreciated | <u>\$ -</u> | <u>\$ 7,949,733</u> | <u>\$ -</u> | <u>\$ 7,949,733</u> |

A significant portion of capital assets will be conveyed by the District to other local governments. The District will not be responsible for the maintenance of those assets. Upon acceptance of the improvements by other local governments, the District will remove the costs of construction from its capital assets.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2021:

| | Balance - December 31, 2020 | Additions | Retirements | Balance - December 31, 2021 | Due Within One Year |
|--|-----------------------------------|---------------------|---------------------|-----------------------------------|------------------------|
| Developer Advances | | | | | |
| Operating | \$ 229,197 | \$ - | | \$ 229,197 | \$ - |
| Capital | - | 7,949,733 | 1,303,000 | 6,646,733 | - |
| Accrued Interest on Developer Advances | | | | | |
| Operating | 79,520 | 18,337 | - | 97,857 | - |
| Capital | - | 390,427 | - | 390,427 | - |
| Total | <u>\$ 308,717</u> | <u>\$ 8,358,497</u> | <u>\$ 1,303,000</u> | <u>\$ 7,364,214</u> | <u>\$ -</u> |

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Amount Authorized on November 4, 2014 | Authorized But Unissued |
|----------------------------------|---|-------------------------------|
| Streets | \$ 10,000,000 | \$ 10,000,000 |
| Parks and Recreation | 10,000,000 | 10,000,000 |
| Water | 10,000,000 | 10,000,000 |
| Sanitary and Storm Sewer | 10,000,000 | 10,000,000 |
| Public Transportation | 10,000,000 | 10,000,000 |
| Mosquito Control | 10,000,000 | 10,000,000 |
| Safety Protection | 10,000,000 | 10,000,000 |
| Fire Protection | 10,000,000 | 10,000,000 |
| Television Relay and Translation | 10,000,000 | 10,000,000 |
| Security | 10,000,000 | 10,000,000 |
| Operations and Maintenance | 10,000,000 | 10,000,000 |
| Debt Refunding | 10,000,000 | 10,000,000 |
| IGA for Public Improvements | 10,000,000 | 10,000,000 |
| Private Agreements | 10,000,000 | 10,000,000 |
| Special Assessment | 10,000,000 | 10,000,000 |
| Total | \$ 150,000,000 | \$ 150,000,000 |

Pursuant to the Service Plan, the maximum general obligation indebtedness for all of Financing Districts combined is not to exceed \$10,000,000.

NOTE 6 NET POSITION

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

The restricted net position includes assets that are restricted for use either externally imposed by creditor, 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 | \$ 7,000 |
| Total | \$ 7,000 |

The District's unrestricted net position as of December 31, 2021 totaled \$583,059.

**THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 AGREEMENTS

District Coordinating Services Agreement (District Nos. 1-4)

On March 27, 2018 (effective January 1, 2018), the District and District Nos. 2-4 entered into a District Coordinating Services Agreement (the “Coordinating Services Agreement”) for the purpose of establishing the respective obligations of the Districts with respect to the coordination, oversight, and funding of certain administrative costs of the Districts (Administrative Services) and costs related to the continued operation and maintenance (O&M Services) of certain of the Public Improvements benefitting the Districts, and their residents and taxpayers.

Pursuant to the Coordinating Services Agreement, the District was designated as the “coordinating district” (the Coordinating District) and District No. 2, No. 3, and No. 4 were each designated as “financing districts” (the Financing Districts). The Coordinating District agrees to perform the Administrative Services for the Financing Districts, which include but is not limited to serving as the “official custodian” and repository for the Financing Districts’ records, coordination of all Board meetings, review and preparation of financial reports, analysis of financial conditions, insurance and election administration, budget preparation, and construction administration and supervision, etc. In addition, the Coordinating District will also own, operate and maintain any Public Improvements not dedicated to other governmental entities including common areas, parks, entry monuments, landscaping, open space tracts, recreational facilities and other community amenities. The Financing Districts shall be responsible for any and all costs, fees, charges and expenses incurred by the Coordinating Districts in providing the Administrative and O&M Services through the imposition of ad valorem mill levy against the taxable property lying within their respective boundaries.

Common Finance Plan Resolution

On April 7, 2021, District Nos. 2-3 and the District adopted a Joint Resolution Regarding Intent to Implement Common Plan of Finance (the Common Finance Plan Resolution) for the benefit of all the Districts. The financial plan of the Districts is to issue such Debt as the Districts can reasonably pay for revenues derived from the Maximum Debt Mill Levy and/or any other legally available revenues of the Districts, including without limitation, sales tax revenues and public improvements fees expected to be received by the Developer of the Project in accordance with the Business Assistance Agreement with the City of Loveland and remitted by the Developer to the Districts.

District No. 1 has entered into an Infrastructure Acquisition and Reimbursement Agreement (the IARA) with the Developer within the Project Area to reimburse the Developer for certified District eligible costs and acquire any public improvements that is to be owned by the District. Pursuant to the Common Finance Plan Resolution, District No. 2 declared its intent, upon issuance of its Tax-Exempt Loans, to transfer all available revenues to the District for the payment of such capital costs, including amounts owed by the District pursuant to the IARA’s (as defined below). District Nos. 1 and 3 also entered into Capital Pledge Agreements with District No. 2 to support the payment of debt service on the Tax-Exempt Loans.

**THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 AGREEMENTS (CONTINUED)

BAA and PIF Revenues Assignment Agreement

On April 8, 2021, the District and District No. 2 have entered into a BAA and PIF Revenues Assignment Agreement whereas in exchange for District No. 2 incurring indebtedness in the form of Loans, the District has agreed to remit all Assigned Revenues (as defined below), net of the annual operation amount, to District No. 2 for the benefit of repaying the Series 2021A Note and any additional Loans with U.S. Bank.

The District's Assigned Revenues include the pledged net sales tax revenues and pledged net PIF revenues. For the purpose of providing for costs of the public improvements within the Districts, Eagle Crossing Development, Inc. (the Developer) and the City of Loveland entered into a Business Assistance Agreement Regarding The Brands dated December 21, 2016 (the Business Assistance Agreement or BAA), pursuant to which the City is required to rebate to the Developer certain City Sales Tax generated within The Brands Project, including but not limited to, the property located within the boundaries of the Districts. Furthermore, pursuant to an Agreement Regarding Remittance of Business Assistance Agreement Revenues and PIF Matters dated April 8, 2021, the Developer has agreed to pay the District all City Sales Tax payable to the Developer in accordance with the BAA.

Additionally, the Developer designated the District as the primary Public Improvement Fees (PIF) recipient in various Designation and Agreements of Primary PIF Recipient agreements, and have assigned all gross PIF Revenues to the District. Gross PIF Revenues mean the revenues derived from the imposition of the PIF on PIF sales initiated, consummated, conducted, transacted or otherwise occurring within the boundaries of the Financing Districts, payable to District No. 1 in accordance with the provisions of the applicable PIF Covenant and the PIF Assignments, which include (i) the Designation and Assignment of PIF Revenues Concerning Declaration of Covenants Imposing and Implementing a Public Improvement Fee The Brands – Loveland dated April 6, 2021, between Eagle Crossing Development, Inc and the District, (ii) the Designation and Assignment of PIF Revenues Concerning Declaration of Covenants Imposing and Implementing a Project Improvement Fee The Brands – Loveland dated April 6, 2021 between Eagle Crossing Development, Inc and the District, and (iii) the Designation and Assignment of PIF Revenues Concerning Declaration of Covenants Imposing and Implementing a Project Improvement Fee Eagle Crossing – Loveland dated April 6, 2021, between Eagle Crossing Development, Inc and the District.

Funding and Reimbursement Agreement

On April 16, 2015, the District entered into a Funding and Reimbursement Agreement with Eagle Crossing Development, Inc. (the Developer) to repay advances made by the Developer for operations and maintenance (O&M) costs and capital infrastructure (capital) costs. The District agreed to repay the Developer for such O&M and capital advances at the rate of 8% per annum. As of December 31, 2021, outstanding O&M advances under the agreement totaled \$229,197 and accrued interest totaled \$97,587.

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 AGREEMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreement(s)

On April 7, 2021, the District entered into an Amended and Restated Infrastructure Acquisition and Reimbursement Agreement (the ECD IARA) with Eagle Crossing Development, Inc. Pursuant to the IARA, it is acknowledged that the Developer has incurred certain costs related to public infrastructure for the benefit of the District, and may incur additional costs related thereto, and that the District agrees to reimburse the Developer for any and all costs of any kind related to the provision of the public improvements that may be lawfully funded by the District, after such costs are reviewed and certified by the District's Engineer and Accountant. To the extent that such certified District eligible costs remain outstanding, such amounts shall continue to be due and accrue simple interest at the rate of 8% per annum until they are paid in full or are included in the principal amount of reimbursement obligation with the Developer. As of December 31, 2021, outstanding advances under these agreements totaled \$6,646,733 and accrued interest totaled \$390,427.

NOTE 8 RELATED PARTIES

The Developer of the property which constitutes the District is Eagle Crossing Development, Inc. Certain members of the Board of Directors of the District are officers or employees of or related to the or an entity affiliated with the Developer or the majority owner of the Developer, and may have conflicts of interest in dealing with the District.

NOTE 9 RISK MANAGEMENT

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

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

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

THE BRANDS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. On November 4, 2014, 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 TABOR.

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

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.

SUPPLEMENTARY INFORMATION

**THE BRANDS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Transfer from District No. 2 - Project Fund | \$ - | \$ 1,303,000 | \$ 1,303,000 | \$ - |
| Total Revenues | - | 1,303,000 | 1,303,000 | - |
| EXPENDITURES | | | | |
| Public Improvements - Certified Costs | - | 11,000,000 | 7,949,733 | 3,050,267 |
| Total Expenditures | - | 11,000,000 | 7,949,733 | 3,050,267 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | - | (9,697,000) | (6,646,733) | 3,050,267 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance - Certified Costs | - | 11,000,000 | 7,949,733 | (3,050,267) |
| Repayment of Developer Advance | - | (1,303,000) | (1,303,000) | - |
| Total Other Financing Sources (Uses) | - | 9,697,000 | 6,646,733 | (3,050,267) |
| NET CHANGE IN FUND BALANCE | | | | |
| | - | - | - | - |
| Fund Balance - Beginning of Year | - | - | - | - |
| FUND BALANCE - END OF YEAR | \$ - | \$ - | \$ - | \$ - |

OTHER INFORMATION

**THE BRANDS METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|--|--|--------------|-----------------|----------------------|-----------|-----------------------------------|
| | | General | Debt Service | Levied | Collected | |
| 2017 | \$ 10 | 39.000 | 0.000 | \$ - | \$ - | N/A % |
| 2018 | 12 | 39.000 | 0.000 | - | - | N/A |
| 2019 | 12 | 39.000 | 0.000 | - | - | N/A |
| 2020 | 12 | 39.000 | 0.000 | - | - | N/A |
| 2021 | 12 | 39.000 | 0.000 | - | - | N/A |
| Estimated for Year Ending December 31, 2022 | \$ 12 | 39.000 | 0.000 | \$ - | | |