

MOUNTAIN BROOK METROPOLITAN DISTRICT

2022 ANNUAL REPORT

Pursuant to Section XVII of the Service Plan for Mountain Brook Metropolitan District (the “Service Plan”), every year on or before September 1, Mountain Brook Metropolitan District (the “District”) is required to submit an annual report and proposed budget to the City Manager and the City Clerk of the City of Longmont (the “City”). In accordance with the Service Plan, the District hereby reports the following for the year ending December 31, 2022 (the “Report Year”). In addition, pursuant to Section 32-1-207(3)(c), C.R.S., the District is required to submit an annual report for the preceding calendar year commencing in 2023 for the 2022 calendar year to the City, the Division of Local Government, the state auditor, and the Boulder County Clerk and Recorder. This Annual Report contains information on the events set forth below as pertains to the Report Year:

I. SERVICE PLAN – ANNUAL REPORT REQUIREMENTS.

1. A narrative summary of the progress of the District in implementing its service plan for the Report Year.

The City approved the District’s Service Plan on October 8, 2019 via Resolution No. R-2019-106. As contemplated by Section XI.C. of the Service Plan, an organization election was held on May 5, 2020 (“Election”) at which eligible electors of the District voted in favor of organizing the District, electing members to the District’s Board of Directors (the “Board”), and authorizing the District to levy taxes and incur indebtedness. On May 20, 2020, the District Court for Boulder County entered an Order and Decree Organizing Mountain Brook Metropolitan District (“Order and Decree”). The Order and Decree was recorded in the Boulder County Clerk and Recorder’s Office on June 4, 2020.

The District continues to provide facilities and services as contemplated in the Service Plan. On December 20, 2022, the District adopted a resolution (1) accepting District eligible costs in the amount of \$3,852,601.56 for ditch work, roads, sewer, stormwater system and water improvements constructed by Mountain Brook Partners, LLC (the “Developer”) and dedicated to the City of Longmont, and (2) approving the acquisition of public improvements constructed by the Developer, including the stormwater system the underdrain system, irrigation tap fee payments to serve District owned irrigated areas and facilities related thereto, and costs related thereto in the amount of \$1,230,618.20, as authorized by the Improvement Acquisition and Reimbursement Agreement (discussed below).

Consistent with the intent of Article X of the Service Plan, the Board approved a Funding and Reimbursement Agreement with Mountain Brook Partners, LLC (“Developer”), amended on November 16, 2020, subsequently amended on November 11, 2021, and as further amended on October 24, 2022, concerning the advance and expenditure of funds on behalf of the District for operational and administrative costs. In addition, the District entered into an Improvement Acquisition, Advance and Reimbursement Agreement with

the Developer, which was subsequently amended on November 16, 2020, on November 11, 2021, and on October 24, 2022, concerning the acquisition of public improvements from the Developer and the advancement of funds to the District and expenditure of funds on behalf of the District for capital costs incurred in designing, constructing, and installing public improvements to serve the District and the Mountain Brook development. Additional information regarding these agreements is set forth in Section I.4. of this Annual Report.

Consistent with the intent of Article XIII of the Service Plan, the District issued its Limited Tax General Obligation Bonds, Series 2021⁽³⁾ in the principal amount of \$11,645,000 (the “Bonds”) on December 16, 2021. Additional information regarding the Bonds is set forth in Section I.4. of this Annual Report.

2. Except when granted an exemption, an audit for the Report Year under the Colorado Local Government Law, the audited financial statements of the District for the Report Year including a statement of financial condition as of December 31 of the Report Year and the statement of operations for the Report Year.

At the time of filing the District’s 2022 Annual Report, the audit was still in progress. A copy of the District’s Approved 2022 Audit Extension Request is attached hereto as Exhibit A. A copy of the District’s audit for the Report Year will be submitted upon completion. A copy of the District’s audit for the year ending December 31, 2021, is attached hereto as Exhibit B.

3. Unless disclosed within a District schedule to the financial statements, a summary of the capital expenditures incurred by the District in construction of public facilities in the Report Year, as well as any capital improvements or projects proposed to be undertaken in the five years following the Report Year.

A. Capital Expenditures

A summary of the capital expenditures incurred by the District in the construction of public facilities during the Report Year is attached hereto in Exhibit C. Additionally, the District incurred \$177,048 in engineering services related to the construction of public facilities and \$25,961 for the installation of a Splash Pad during the Report Year.

B. Capital Improvements Plans

In the five years following the Report Year, the District intends to provide for public improvements that serve the Mountain Brook development as permitted pursuant to the Service Plan and in accordance with City requirements and approvals. The District anticipates construction of an amenity site including a Sports Play Field, Military Memorial, Party Lawn, Playgrounds, Pavilion, and the installation of public landscaping improvements.

4. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the Report Year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the Report Year, the amount of payment or retirement of existing indebtedness of the District in the Report Year, the total assessed valuation of all taxable properties within the District as of January 1 of the Report Year, and the current mill levy of the District pledged to debt retirement in the Report Year.

A. Outstanding Indebtedness

1. Limited Tax General Obligation Bonds, Series 2021. As previously reported, on December 16, 2021, the District issued its Limited Tax General Obligation Bonds, Series 2021⁽³⁾ in the principal amount of \$11,645,000 (the “Bonds”). The proceeds from the sale of the Bonds will be used for the purposes of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the Mountain Brook development, funding capitalized interest on the Bonds, funding certain Bonds funds, and paying costs incurred in connection with the issuance of the Bonds. The Bonds consist of \$2,905,000 in Term Bonds with interest at 4.500% maturing December 1, 2041, and \$8,740,000 in Term Bonds with interest at 4.750% maturing December 1, 2051. Interest is payable semi-annually on June 1 and December 1 commencing on June 1, 2022, to the extent of Pledged Revenue, as described below. The Bonds are subject to early redemption at the option of the District commencing December 1, 2026, with a redemption premium until December 1, 2029. The Bonds are limited tax general obligations of the District secured by and payable solely from the Pledged Revenue, consisting of moneys derived by the District from the following sources: a required mill levy, the portion of specific ownership tax related to the required mill levy, and any other moneys determined by the District.

2. Funding and Reimbursement Agreement and Subordinate Promissory Note (“Operation Cost Agreement”). As previously reported, on August 24, 2020, the District entered into a Funding and Reimbursement Agreement with Mountain Brook Partners, LLC (“Developer”) relating to the Developer’s advancement of funds to the District up to \$150,000 through December 31, 2020 (the “Funding Obligation Term”) for costs associated with the District’s operating and administrative costs of the District, and the District’s repayment of such advances to the Developer. To evidence the District’s repayment obligation to the Developer, the District issued a subordinate promissory note to the Developer in an amount not to exceed \$150,000, at an interest rate not to exceed the Federal Reserve Prime Rate as published in the Wall Street Journal plus 1%, with a maturity date of December 31, 2020 (the “2020 O&M Note”).

On November 16, 2020, the District and Developer entered into a First Amendment to the Operation Cost Agreement to extend the Funding Obligation Term through December 31, 2021, and in connection therewith, the District refunded the 2020 O&M Note on January 1, 2021 and issued a new subordinate note to the Developer in the same principal amount and at the same interest rate as the 2020 O&M Note and with a maturity date of December 31, 2021 (the “2021 O&M Note”).

On November 11, 2021, the District and Developer entered into a Second Amendment to the Operation Cost Agreement to extend the Funding Obligation Term through December 31, 2022, to modify the terms of the subordinate promissory note issued pursuant to the Operation Cost Agreement, and to provide that the obligations of the District to repay the Developer for advances are subject to the annual appropriation of funds by the District and did not represent a multiple-fiscal year obligation of the District. In connection with this Second Amendment, the District refunded the 2021 O&M Note and issued a new subordinate note on December 31, 2021 to the Developer in the same principal amount and at the same interest rate as the 2021 O&M Note, with a maturity date of August 23, 2060 (the “Original 2022 O&M Note”).

On October 24, 2022, the District and Developer entered into a Third Amendment to the Operation Cost Agreement to amend certain terms of the Operation Cost Agreement and any subordinate promissory note issued thereunder. In connection with the Third Amendment, the District refunded the Original 2022 O&M Note and issued a new subordinate note on October 24, 2022 to the Developer in the same principal amount and at the same interest rate as the Original 2021 O&M Note, with a maturity date of October 7, 2059 (the “2022 O&M Note”). As of December 31, 2022, \$ 40,560.00 in principal and \$ 608.00 in interest were outstanding on the 2022 O&M Note.

3. Improvement Acquisition, Advance and Reimbursement Agreement (“Capital Agreement”). As previously reported, on August 24, 2020, the District and the Developer entered into an Improvement Acquisition, Advance and Reimbursement Agreement relating to the repayment of organization costs paid by the Developer, the acquisition of improvements from the Developer, and advances to be made to the District from the Developer, and the repayment thereof, in an amount not to exceed \$9,000,000 through December 31, 2020 (“Funding Obligation Term”). To evidence the District’s repayment obligation to the Developer, the District issued a subordinate promissory note to the Developer in an amount not to exceed \$9,000,000, at an interest rate not to exceed the Federal Reserve Prime Rate as published in the Wall Street Journal plus 1%, with a maturity date of December 31, 2020 (the “2020 Capital Note”).

On November 16, 2020, the District and Developer entered into a First Amendment to the Capital Agreement to extend the Funding Obligation Term through December 31, 2021, and in connection therewith, the District refunded the 2020 Capital Note on January 1, 2021 and issued a new subordinate note to the Developer in the same principal amount and at the same interest rate as the 2020 Capital Note and with a maturity date of December 31, 2021 (the “2021 Capital Note”).

On November 11, 2021, the District and Developer entered into a Second Amendment to the Capital Agreement to extend the Funding Obligation Term through December 31, 2022, and to modify the terms of the subordinate promissory note issued pursuant to the Operation Cost Agreement. In connection with this Second Amendment, the District refunded the 2021 Capital Note and issued a new subordinate note on December 31, 2021 to the Developer in the same principal amount and at the same interest rate as the 2021 Capital Note, with a maturity date of August 23, 2060 (the “Original 2022 Capital Note”).

On October 24, 2022, the District and Developer entered into a Third Amendment to the Capital Cost Agreement to amend certain terms of the Operation Cost Agreement and any

subordinate promissory note issued thereunder. In connection with the Third Amendment, the District refunded the Original 2022 Capital Note and issued a new subordinate note on October 24, 2022 to the Developer in the same principal amount and at the same interest rate as the Original 2021 O&M Note, with a maturity date of October 7, 2059 (the “2022 Capital Note”). As of December 31, 2022, \$ 40,560 in principal and \$ 608 in interest were outstanding on the 2022 O&M Note.

B. New Indebtedness or Long-Term Obligations

The District did not issue or enter into any new indebtedness or other long term obligations during the Report Year.

C. Payment or Retirement on Existing Indebtedness

1. Bonds:

Principal Payments: No payments made.

Interest Payments: \$523,130.00 in payments were made as of December 31, 2022.

2. 2022 O&M Note: No payments made.

3. 2022 Capital Note: No payments made.

D. Total Assessed Valuation

\$3,959,022

E. Debt Service Mill Levy

The District did not impose a debt service mill levy in 2022 for collection in 2023.

5. The District’s budget for the calendar year in which the annual report is submitted.

A copy of the District’s 2023 Budget is attached hereto as Exhibit D.

6. A summary of development that has occurred within the District for the Report Year.

At the conclusion of the Report Year, the Developer entered into agreements regarding the construction of improvements within the District regarding the District’s amenity center.

7. A summary of all fees, charges, and assessments imposed by the District as of January 1 of the Report Year.

The District did not impose any fees, charges, or assessments in 2022. On March 6, 2023, the District approved a Resolution imposing an operations and maintenance fee on real property within the District with collection having commenced in July 2023.

8. Certification by the Board of Directors of the District that no action, event, or condition enumerated in Section 4.10.090 of the Longmont Municipal Code, as amended, has occurred in the Report Year.

The Board certifies to the City that no action, event, or condition enumerated in Section 4.10.090 of the Longmont Municipal Code, as amended, occurred in the Report Year. A Certification of Compliance is attached hereto as Exhibit E.

9. The name, business address and telephone number of each member of the Board of Directors of the District and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the Board.

A. Board of Directors:

Kevin Mulshine, President
141 Union Blvd., Suite 150
Lakewood, CO 80228
(303) 987-0835

Kenneth Spencer, Treasurer
141 Union Blvd., Suite 150
Lakewood, CO 80228
(303) 987-0835

Conley Smith, Secretary
141 Union Blvd., Suite 150
Lakewood, CO 80228
(303) 987-0835

B. Manager

Special District Management Services, Inc.
Peggy Ripko, District Manager
141 Union Blvd., Suite 150
Lakewood, CO 80228
(303) 987-0835

C. General Counsel

Icenogle Seaver Pogue, P.C.
Alan D. Pogue
4725 S. Monaco St., Suite 360
Denver, CO 80237
(303) 292-9101

D. Meetings

Regular meetings are held on the fourth (4th) Monday of every even-numbered month at 9:00 a.m. at the office of 700 Ken Pratt Boulevard, Suite 113, Longmont, CO 80501 and via Zoom.

10. Proposed Budget.

The District's proposed budget for fiscal year 2024 is being developed and will be presented to the Board in draft form by October 15 in accordance with the Local Government Budget Law. The District will submit the proposed draft budget to the City when it is received by the Board.

II. SPECIAL DISTRICT ACT (SECTION 32-1-207(3)(c), C.R.S.) ANNUAL REPORT REQUIREMENTS:

For the Report Year, the District makes the following report pursuant to Section 32-1-207(3)(c), C.R.S.:

1. Boundary changes made.

The District had no boundary changes in the Report Year.

2. Intergovernmental agreements entered into or terminated with other governmental entities.

No intergovernmental agreements were entered into or terminated by the District in the Report Year.

3. Access information to obtain a copy of rules and regulations adopted by the board.

For information concerning rules and regulations adopted by the Districts please contact the District's manager:

Special District Management Services, Inc.
Peggy Ripko
141 Union Blvd., Suite 150
Lakewood, CO 80228
(303) 987-0835

4. A summary of litigation involving public improvements owned by the special district.

There was no litigation involving public improvements owned by the District in the Report Year.

5. The status of the construction of public improvements by the special district.

Please see Section I.3.B above.

6. A list of facilities or improvements constructed by the special district that were conveyed or dedicated to the county or municipality.

As reported in Section I.1. above, on December 20, 2022, the District adopted a resolution accepting District eligible costs in the amount of \$3,852,601.56 for ditch work, roads, sewer, stormwater system and water improvements constructed by Mountain Brook Partners, LLC (the “Developer”) and dedicated to the City of Longmont.

7. The final assessed valuation of the special district as of December 31 of the reporting year.

Please see Section I.4.D above.

8. A copy of the current year's budget.

Please see Section I.5 above

9. A copy of the audited financial statements, if required by the “Colorado Local Government Audit Law”, part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

Please see Section I.2 above.

10. Notice of any uncured defaults existing for more than ninety days under any debt instrument of the special district.

As of December 31, 2022, the District did not receive any notice of uncured defaults existing for more than ninety (90) days under any debt instrument.

11. Any inability of the special district to pay its obligations as they come due under any obligation which continues beyond a ninety-day period.

As of December 31, 2022, the District did not have any inability to pay its obligations as they come due under any obligation which continued beyond a ninety (90) day period.

EXHIBIT A

Approved 2022 Audit Extension Request

APPROVED

By Meredith Yoder at 11:09 am, Aug 01, 2023



OFFICE OF THE STATE AUDITOR • LOCAL GOVERNMENT AUDIT DIVISION
KERRI L. HUNTER, CPA, CFE • STATE AUDITOR

Request for Extension of Time to File Audit for Year End December 31, 2022 ONLY

Requests may be submitted via internet portal: <https://apps.leg.co.gov/osa/lg>.

Government Name:	Mountain Brook
Name of Contact:	Diane Wheeler
Address:	304 Inverness Way South, Suite 490
City/Zip Code	Englewood, CO 80112
Phone Number:	303-689-0833
E-mail	diane@simmonswheeler.com
Fiscal Year Ending (mm/dd/yyyy):	12/31/2022
Amount of Time Requested (in days): (Not to exceed 60 calendar days)	60 days Audit Due: September 30, 2023
Comments (optional):	

I understand that if the audit is not submitted within the approved extension of time, the government named in the extension request will be considered in default without further notice, and the State Auditor shall take further action as prescribed by Section 29-1-606(5)(b), C.R.S.

Must be signed by a member of the governing board.

Signature	<i>kevin mulshine</i>
Printed Name:	
Title:	
Date:	Jul 29, 2023

Mountain Brook

Final Audit Report

2023-07-29

Created:	2023-07-29
By:	Diane Wheeler (diane@simmonswheeler.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAA4q41-rxi-o8q8cl8qdD3vqdFcuEc_P4p

"Mountain Brook" History


-  Document created by Diane Wheeler (diane@simmonswheeler.com)
2023-07-29 - 3:04:56 PM GMT
-  Document emailed to kevin mulshine (kmulshine@hmsdevelopment.com) for signature
2023-07-29 - 3:05:16 PM GMT
-  Email viewed by kevin mulshine (kmulshine@hmsdevelopment.com)
2023-07-29 - 9:21:28 PM GMT
-  Document e-signed by kevin mulshine (kmulshine@hmsdevelopment.com)
Signature Date: 2023-07-29 - 9:21:52 PM GMT - Time Source: server
-  Agreement completed.
2023-07-29 - 9:21:52 PM GMT

EXHIBIT B

2021 District Audit

MOUNTAIN BROOK METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mountain Brook Metropolitan District
Boulder County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mountain Brook Metropolitan District (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 respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

September 30, 2022
Wheat Ridge, Colorado

MOUNTAIN BROOK METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 572	\$ -	\$ -	\$ 572	\$ -	\$ 572
Cash and investments - restricted	1,673	2,671,489	8,568,532	11,241,694	-	11,241,694
Taxes due from County	37	-	-	37	-	37
Accounts receivable - developer	14,417	-	-	14,417	(14,417)	-
Property taxes receivable	17,880	-	-	17,880	-	17,880
Capital assets not being depreciated	-	-	-	-	2,967	2,967
Total Assets	<u>\$ 34,579</u>	<u>\$ 2,671,489</u>	<u>\$ 8,568,532</u>	<u>\$11,274,600</u>	<u>(11,450)</u>	<u>11,263,150</u>
LIABILITIES						
Accounts payable	\$ 16,699	\$ -	\$ 17,967	\$ 34,666	-	34,666
Accrued interest on bonds	-	-	-	-	22,745	22,745
Long-term liabilities:						
Due in more than one year	-	-	-	-	11,645,000	11,645,000
Total Liabilities	<u>16,699</u>	<u>-</u>	<u>17,967</u>	<u>34,666</u>	<u>11,667,745</u>	<u>11,702,411</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred property taxes	<u>17,880</u>	<u>-</u>	<u>-</u>	<u>17,880</u>	<u>-</u>	<u>17,880</u>
Total Deferred Inflows of Resources	<u>17,880</u>	<u>-</u>	<u>-</u>	<u>17,880</u>	<u>-</u>	<u>17,880</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Restricted:						
Emergencies	1,673	-	-	1,673	(1,673)	-
Debt service	-	2,671,489	-	2,671,489	(2,671,489)	-
Capital	-	-	8,550,565	8,550,565	(8,550,565)	-
Unassigned	<u>(1,673)</u>	<u>-</u>	<u>-</u>	<u>(1,673)</u>	<u>1,673</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>2,671,489</u>	<u>8,550,565</u>	<u>11,222,054</u>	<u>(11,222,054)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 34,579</u>	<u>\$ 2,671,489</u>	<u>\$ 8,568,532</u>	<u>\$11,274,600</u>		
Net Position:						
Restricted for:						
Emergencies					1,673	1,673
Debt service					2,671,489	2,671,489
Capital projects					8,550,565	8,550,565
Unrestricted					<u>(11,680,868)</u>	<u>(11,680,868)</u>
Total Net Position (Deficit)					<u>\$ (457,141)</u>	<u>\$ (457,141)</u>

The notes to the financial statements are an integral part of these statements.

MOUNTAIN BROOK METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting	\$ 4,218	\$ -	\$ -	\$ 4,218	\$ -	\$ 4,218
Insurance/SDA dues	1,427	-	-	1,427	-	1,427
Legal	11,149	-	-	11,149	-	11,149
Miscellaneous expense	75	-	-	75	-	75
Management	6,526	-	-	6,526	-	6,526
Treasurer fees	130	-	-	130	-	130
Bond interest	-	-	-	-	22,745	22,745
Capital expenditures	-	-	2,967	2,967	(2,967)	-
Cost of issuance	-	-	419,979	419,979	-	419,979
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	23,525	-	422,946	446,471	19,778	466,249
GENERAL REVENUES						
Property taxes	8,437	-	-	8,437	-	8,437
Specific ownership taxes	418	-	-	418	-	418
Interest income	253	-	-	253	-	253
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Revenues	9,108	-	-	9,108	-	9,108
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(14,417)	-	(422,946)	(437,363)	(19,778)	(457,141)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	11,645,000	11,645,000	(11,645,000)	-
Transfer (to) from other funds	-	2,671,489	(2,671,489)	-	-	-
Developer advances	14,417	-	-	14,417	(14,417)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	14,417	2,671,489	8,973,511	11,659,417	(11,659,417)	-
NET CHANGES IN FUND BALANCES						
	-	2,671,489	8,550,565	11,222,054	(11,222,054)	
CHANGES IN NET POSITION						
					(457,141)	(457,141)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
END OF YEAR	<u>\$ -</u>	<u>\$ 2,671,489</u>	<u>\$ 8,550,565</u>	<u>\$ 11,222,054</u>	<u>\$ (11,679,195)</u>	<u>\$ (457,141)</u>

The notes to the financial statements are an integral part of these statements.

MOUNTAIN BROOK METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes	\$ 8,437	\$ 8,437	\$ -
Specific ownership taxes	422	418	(4)
Interest income	<u>-</u>	<u>253</u>	<u>253</u>
Total Revenues	<u>8,859</u>	<u>9,108</u>	<u>249</u>
EXPENDITURES			
Accounting	5,000	4,218	782
Insurance/SDA dues	3,500	1,427	2,073
Legal	25,000	11,149	13,851
Miscellaneous expense	-	75	(75)
Management	10,000	6,526	3,474
Treasurer fees	127	130	(3)
Contingency	5,064	-	5,064
Emergency Reserve	<u>1,309</u>	<u>-</u>	<u>1,309</u>
Total Expenditures	<u>50,000</u>	<u>23,525</u>	<u>26,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,141)	(14,417)	26,724
OTHER FINANCING SOURCES			
Developer advances	<u>41,141</u>	<u>14,417</u>	<u>(26,724)</u>
Total Other Financing Sources	<u>41,141</u>	<u>14,417</u>	<u>(26,724)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of Mountain Brook Metropolitan District, located in Boulder County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

Mountain Brook Metropolitan District (“the District”) was organized for the purpose of financing and constructing public improvements and for dedicating, when appropriate, such public improvements to the City of Longmont or to such other entity as appropriate for the use and benefit of the District’s residents and property owners. The creation of the District was approved by the eligible electors of the District on May 5, 2020. The District was organized pursuant to an order and decree issued by the District Court in Boulder County issued on May 20, 2020, and recorded on June 4, 2020. The District's primary source of revenues is bond proceeds, and is expected to be property taxes in the future. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

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

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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 instead as *general revenues*.

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 the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

During 2021, the District amended its total appropriations in the Capital Projects Fund from \$0 to \$3,200,000 primarily due to issuance of the Series 2021 Bonds.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

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

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

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

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,673 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$2,671,489 is restricted for the payment of the debt service costs (see Note 4).

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The restricted fund balance in the Capital Projects Fund in the amount of \$8,855,565 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 2: Cash and Investments

As of December 31, 2021, cash and investments is classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 572
Cash and investments - restricted	<u>11,241,694</u>
Total	\$ <u>11,242,266</u>

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

Deposits with financial institutions	\$ 2,245
Investments - COLOTRUST	<u>11,240,021</u>
	\$ <u>11,242,266</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 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 aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has elected to follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

As of December 31, 2021, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2021, the District had \$11,240,021 invested in COLOTRUST.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 2,967	\$ -	\$ 2,967

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2021:

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2021</u>	<u>Current Portion</u>
<u>General Obligation Bonds:</u>					
Series 2021(3)	\$ -	\$ 11,645,000	\$ -	\$ 11,645,000	\$ -
	<u>\$ -</u>	<u>\$ 11,645,000</u>	<u>\$ -</u>	<u>\$ 11,645,000</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2021, is as follows:

Funding and Reimbursement Agreement (Operations)

The District and Mountain Brook Partners, LLC (the “Developer”) entered into a Funding and Reimbursement Agreement (Operation Costs) on August 24, 2020, as amended November 16, 2020 to evidence the District’s reimbursement obligation to the Developer for operations and maintenance costs (“O&M Agreement”). The O&M Agreement sets forth the terms pursuant to which the Developer is to provide monetary advances to the District, in an amount not to exceed \$150,000 (the “maximum O&M Amount”), for operations and maintenance costs associated with the public improvements constructed or to be constructed within or without the boundaries of the District, with the funding of such advances to be available through December 31, 2022. In consideration for such advances, the District agrees to pay reimbursement, plus interest at a rate not to exceed the Federal Reserve Prime Rate per the Wall Street Journal plus 1%. As of December 31, 2021, \$0 was due under this agreement.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Improvement Acquisition, Advance and Reimbursement Agreement

The District and the Developer have entered into a Improvement Acquisition, Advance and Reimbursement Agreement dated August 24, 2020, as amended November 16, 2020, to evidence the District's acquisition, advance and reimbursement obligation to the Developer for public improvements. Pursuant to this agreement the Developer is to construct or cause to have constructed the public improvements which the District will acquire after they have been completed or initially fund the construction and installation of the public improvements by the District subject to reimbursement by the District. The District is also to reimburse the Developer for the costs associated with the organization of the District. Advances are available to the District in one or a series of installments through December 31, 2022 up to a maximum amount of \$9,000,000. The District's repayment obligation shall terminate on the date that is 40 years after the agreement execution date, even if any portion of the Principal amount remains outstanding. Amounts advanced or recognized under this agreement as of December 31, 2021 was \$0.

\$11,645,000 Limited Tax General Obligation Bonds, Series 2021⁽³⁾

On December 16, 2021, the District issued \$11,645,000 of Limited Tax General Obligation Bonds, Series 2021⁽³⁾ ("Series 2021 Bonds") for the purpose of financing or reimbursing a portion of the costs of acquiring, constructing, and installing certain public infrastructure and paying for the costs of issuance of the Series 2021 Bonds. The Series 2021 Bonds consisted of \$2,905,000 in Term Bonds with interest at 4.500% maturing December 1, 2041, and \$8,740,000 in Term Bonds with interest at 4.750% maturing December 1, 2051. Interest is payable semi-annually on June 1 and December 1 commencing on June 1, 2022, to the extent of Pledged Revenue with mandatory redemptions beginning December 1, 2028. The 2021 Bonds are subject to early redemption at the option of the District commencing December 1, 2026, with a redemption premium of 1% to 3% until December 1, 2029 at which time the bonds may be redeemed without redemption premium. The 2021 Bonds are limited tax general obligations of the District secured by and payable solely from the Pledged Revenue, consisting of moneys derived by the District from the following sources: the Required Mill Levy, the portion of Specific Ownership Tax related to the Required Mill Levy, and any other moneys determined by the District. In the event that any bond principal or interest remains outstanding and due on October 8, 2059 this remaining amount shall be discharged.

Events of Default as defined in the Series 2021 Bond Indenture are 1) the failure of the District to impose the Required Mill levy, 2) the failure of the District to apply the Pledged Revenue as required by the Indenture, 3) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture, and 4) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2021 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2021 Bonds is not an available remedy for an Event of Default.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2021 Bonds.

Year	Principal	Interest	Total
2022	\$ -	\$ 523,130	\$ 523,130
2023	-	545,875	545,875
2024	-	545,875	545,875
2025	-	545,875	545,875
2026	-	545,875	545,875
2027 - 2031	230,000	2,719,250	2,949,250
2032 - 2036	910,000	2,609,225	3,519,225
2037 - 2041	1,765,000	2,332,475	4,097,475
2042 - 2046	3,025,000	1,816,163	4,841,163
2047 - 2051	5,715,000	949,525	6,664,525
Total	<u>\$11,645,000</u>	<u>\$ 13,133,268</u>	<u>\$ 24,778,268</u>

Debt Authorization

On May 5, 2020, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$225,000,000. After the issuance of the 2021(3) Bonds, the remaining authorization is \$213,355,000. Per the District’s Service Plan, the District cannot issue debt in excess of \$25,000,000. \$13,355,000 of the Service Plan authorization remains as of December 31, 2021.

Note 5: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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.

On May 5, 2020, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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: Interfund Transfers

The transfer of \$2,671,489 from the Capital Projects Fund to the Debt Service Fund was transferred for the purpose of funding capitalized interest and a surplus fund. (See Note 4)

MOUNTAIN BROOK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

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

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

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

SUPPLEMENTAL INFORMATION

MOUNTAIN BROOK METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended December 31, 2021

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Treasurer fees	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfer (to) from other funds	<u>-</u>	<u>2,671,489</u>	<u>2,671,489</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,671,489</u>	<u>2,671,489</u>
NET CHANGE IN FUND BALANCE	-	2,671,489	2,671,489
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 2,671,489</u>	<u>\$ 2,671,489</u>

The notes to the financial statements are an integral part of these statements.

MOUNTAIN BROOK METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Capital expenditures	-	-	2,967	(2,967)
Cost of issuance	-	493,799	419,979	73,820
Total Expenditures	<u>-</u>	<u>493,799</u>	<u>422,946</u>	<u>70,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(493,799)	(422,946)	70,853
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	12,110,000	11,645,000	(465,000)
Transfer (to) from other funds	-	(2,706,201)	(2,671,489)	34,712
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,403,799</u>	<u>8,973,511</u>	<u>(430,288)</u>
NET CHANGE IN FUND BALANCE	-	8,910,000	8,550,565	(359,435)
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 8,910,000</u>	<u>\$ 8,550,565</u>	<u>\$ (359,435)</u>

The notes to the financial statements are an integral part of these statements.

MOUNTAIN BROOK METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2021

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Levied</u>	<u>Collected</u>	
2021	\$ 168,739	50.000	-	50.000	\$ 8,437	\$ 8,437	100.00%
Estimated for year ending December 31, 2022	\$ 357,596	50.000	0.000	50.000	\$ 17,880		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

EXHIBIT C

**Summary of District's Capital Expenditures for the Construction of Public Facilities
Incurred in 2022**

ENGINEER'S COST CERTIFICATION

I, Lucas Flax, PE, as Vice President of Engineering of Permontes Group, Inc., hereby certify to the following:

1. I am an engineer duly qualified to issue a professional opinion regarding (i) the fitness and condition of the improvements (the "Improvements") that have been constructed by Mountain Brook Partners, LLC ("MBP") pursuant to that certain Improvement Acquisition, Advance and Reimbursement Agreement between Mountain Brook Metropolitan District (the "District") and MBP, dated August 24, 2020, as may be amended (the "Agreement") and (ii) the reasonableness of the costs associated with the Improvements ("District Eligible Costs"), as collectively described in Exhibit A attached hereto.

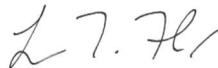
2. I have inspected and otherwise examined the Improvements described in Exhibit A attached hereto. I found the Improvements to be in satisfactory form and condition and that, in my professional opinion, the Improvements are fit for the purpose intended by the Agreement.

3. In our professional opinion the invoices and other materials presented in MBP's Application for Acceptance of District Eligible Costs and/or Application for Acceptance of Improvements submitted to the District pursuant to the Agreement were reviewed and found to be reasonable. Invoice costs were allocated as Acquired or Dedicated and a summary is included as Exhibit A. At this time and based on the information provided, the Engineer certifies the expenditures provided by MBP as District eligible expenditures as shown in Exhibit A. These expenditures are certified in the amount of **\$5,083,219.76**.

4. I have substantiated the proposed District Eligible Costs for the Improvements set forth in Exhibit A and have determined that such costs to be reasonable and appropriate for the type of Improvements being constructed in the vicinity of the Mountain Brook development.

Dated this 19th day of December, 2022.

PERMONTES GROUP, INC



By: Lucas Flax, PE

Its: Vice President of Engineering

EXHIBIT A
(To Engineer's Cost Certification)

COSTS OF IMPROVEMENTS

Dedicated Improvements Summary Table

	Entity that Will Own & Maintain Improvement	Improvements located within District Property, Easements, or Public ROW	Hard Construction Costs	Soft Costs	Notes
Street Improvements	-	Demolition		\$48,113.90	This represents 40% of total billed
	-	Erosion Control		\$5,129.60	This represents 40% of total billed
	-	Compaction Testing		\$41,887.00	This represents 40% of total billed
	City of Longmont	Hardscapes	\$1,220,073.10		
	City of Longmont	Storm Sewer System (City)	\$646,493.79		
Water Improvements	City of Longmont	Water System	\$771,267.86		
Sanitary Sewer Improvements	City of Longmont	Sewer System	\$641,040.87		
Parks & Recreation, Landscaping & Irrigation	City of Longmont	Ditch Work	\$479,606.54		
Other Improvements					
			\$3,757,471.16	\$95,130.40	
		Grand Total	\$3,852,601.56		

Acquired Improvements Summary Table

	Improvements located within District Property, Easements, or Public ROW	Hard Construction Costs	Soft Costs
Street Improvements	Storm Sewer System	\$419,110.68	
	Underdrain System	\$154,619.84	
Water Improvements			
Sanitary Sewer Improvements			
Parks & Recreation, Landscaping & Irrigation	Amenity Center Design		\$12,047.00
	Amenity Center Site Plan Engineering		\$94,290.68
Other Improvements	Irrigation Meter Tap Fee		\$550,550.00
		\$573,730.52	\$656,887.68
	Grand Total	\$1,230,618.20	

Total Cost of acquired and Dedicated Improvements certified in the amount of **\$5,083,219.76**

EXHIBIT D

District's 2023 Budget

MOUNTAIN BROOK METROPOLITAN DISTRICT
2023
BUDGET MESSAGE

Attached please find a copy of the adopted 2023 budget for the Mountain Brook Metropolitan District.

The Mountain Brook Metropolitan District has adopted budgets for three funds, a General Fund to provide for general operating and maintenance expenditures; a Debt Service Fund to provide for the payment of principal and interest on the outstanding general obligation debt of the district; and a Capital Projects Fund to provide for capital improvements for the benefit of the district.

The district's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary sources of revenue for the district in 2023 will be property taxes and interest income. The district intends to impose a 50.000 mill levy on property within the district for 2023, all of which is dedicated to the General Fund.

Mountain Brook Metropolitan District
Adopted Budget
General Fund
For the Year ended December 31, 2023

	Actual <u>2021</u>	Adopted Budget <u>2022</u>	Actual <u>6/30/2022</u>	Estimate <u>2022</u>	Adopted Budget <u>2023</u>
Beginning fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues:					
Property taxes	8,437	17,880	2,320	17,880	197,951
Specific ownership taxes	418	894	377	750	9,898
Interest Income	253	-	23	50	-
Developer advances	14,417	49,176	18,927	33,369	-
Total revenues	<u>23,525</u>	<u>67,950</u>	<u>21,647</u>	<u>52,049</u>	<u>207,849</u>
Total funds available	<u>23,525</u>	<u>67,950</u>	<u>21,647</u>	<u>52,049</u>	<u>207,849</u>
Expenditures:					
Audit/Accounting	4,218	12,000	3,598	12,000	12,000
Election	-	5,000	-	-	1,000
Insurance/ SDA Dues	1,427	3,500	3,281	3,281	3,500
Legal	11,149	25,000	10,525	25,000	35,000
Management	6,526	10,000	4,044	10,000	15,000
Miscellaneous	75	-	164	1,500	-
Treasurer's Fees	130	268	35	268	2,969
Contingency	-	10,509	-	-	136,296
Emergency Reserve	-	1,673	-	-	2,084
Total expenditures	<u>23,525</u>	<u>67,950</u>	<u>21,647</u>	<u>52,049</u>	<u>207,849</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assessed valuation		<u>\$ 357,596</u>			<u>\$ 3,959,022</u>
Mill Levy		<u>50.000</u>			<u>50.000</u>

Mountain Brook Metropolitan District
Adopted Budget
Capital Projects Fund
For the Year ended December 31, 2023

	Actual <u>2021</u>	Adopted Budget <u>2022</u>	Actual <u>6/30/2022</u>	Estimate <u>2022</u>	Adopted Budget <u>2023</u>
Beginning fund balance	\$ -	\$ 8,910,000	\$ 8,550,565	\$ 8,550,565	\$ 8,380,903
Revenues:					
Developer advances	-	-	-	-	-
Interest income	-	90,000	19,107	80,338	75,000
Bond Proceeds	<u>11,645,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>11,645,000</u>	<u>90,000</u>	<u>19,107</u>	<u>80,338</u>	<u>75,000</u>
Total funds available	<u>11,645,000</u>	<u>9,000,000</u>	<u>8,569,672</u>	<u>8,630,903</u>	<u>8,455,903</u>
Expenditures:					
Issuance costs	419,979	-	-	-	-
Capital expenditures	2,967	9,000,000	128,107	250,000	8,455,903
Transfer to Debt Service	<u>2,671,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,094,435</u>	<u>9,000,000</u>	<u>128,107</u>	<u>250,000</u>	<u>8,455,903</u>
Ending fund balance	<u>\$ 8,550,565</u>	<u>\$ -</u>	<u>\$ 8,441,565</u>	<u>\$ 8,380,903</u>	<u>\$ -</u>

Mountain Brook Metropolitan District
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2023

	Actual <u>2021</u>	Adopted Budget <u>2022</u>	Actual <u>6/30/2022</u>	Estimate <u>2022</u>	Adopted Budget <u>2023</u>
Beginning fund balance	\$ -	\$ 2,589,852	\$ 2,671,489	\$ 2,671,489	\$ 2,154,359
Revenues:					
Transfer from Capital Projects	2,671,489	-	-	-	-
Interest Income	<u>-</u>	<u>-</u>	<u>5,792</u>	<u>12,000</u>	<u>12,000</u>
Total revenues	<u>2,671,489</u>	<u>-</u>	<u>5,792</u>	<u>12,000</u>	<u>12,000</u>
Total funds available	<u>2,671,489</u>	<u>2,589,852</u>	<u>2,677,281</u>	<u>2,683,489</u>	<u>2,166,359</u>
Expenditures:					
Bond interest expense	-	529,813	250,193	523,130	545,875
Trustee / paying agent fees	<u>-</u>	<u>4,500</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Total expenditures	<u>-</u>	<u>534,313</u>	<u>256,193</u>	<u>529,130</u>	<u>551,875</u>
Ending fund balance	<u>\$ 2,671,489</u>	<u>\$ 2,055,539</u>	<u>\$ 2,421,088</u>	<u>\$ 2,154,359</u>	<u>\$ 1,614,484</u>
Assessed valuation		<u>\$ 357,596</u>			<u>\$ 3,959,022</u>
Mill Levy		<u>0.000</u>			<u>0.000</u>
Total Mill Levy		<u>50.000</u>			<u>50.000</u>

EXHIBIT E

Board of Directors Certification of Compliance

Certification of Compliance

By signature below, the Board of Directors (the “Board”) of the Mountain Brook Metropolitan District (the “District”) hereby certifies that to the best of its actual knowledge and belief, that the District is in compliance with all provisions of the Service Plan for Mountain Brook Metropolitan District (the “Service Plan”), and that that no action, event, or condition enumerated in Section 4.10.090 of the Longmont Municipal Code occurred in the Report Year of 2022. This Certification is provided pursuant to and for purposes of the District’s 2022 Annual Report, as required by the Districts Service Plan and the Longmont Municipal Code.

Date: 8/29/2023

MOUNTAIN BROOK METROPOLITAN DISTRICT

DocuSigned by:

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By: Kevin Mulshine, President