

**Lupton Village Residential Metropolitan District
Weld County, Colorado**

**Financial Statements
December 31, 2021**



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1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lupton Village Residential Metropolitan District
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Lupton Village Residential Metropolitan 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 the major funds of Lupton Village Residential Metropolitan 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 Opinions

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 Lupton Village Residential Metropolitan 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 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 Lupton Village Residential Metropolitan 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, 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 Lupton Village Residential Metropolitan 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 Lupton Village Residential Metropolitan 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 omitted management 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 made for the purpose of forming an opinion on the District's basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the District's basic financial statements taken as a whole.

Haynie & Company

Littleton, Colorado
September 21, 2022

BASIC FINANCIAL STATEMENTS

Lupton Village Residential Metropolitan District
Statement of Net Position
December 31, 2021

Assets	Governmental Activities
Cash and investments - unrestricted	\$ 14,812
Cash and investments - restricted	4,874,487
Accounts receivable - related party	1
Accounts receivable - other	3,064
Non-current assets:	
Capital assets, not being depreciated	2,015,526
Total assets	<u>\$ 6,907,890</u>
Liabilities	
Accounts payable	\$ 7,319
Accrued interest	158,100
Non-current liabilities:	
Developer advances - due in more than one year	13,035
Bonds payable - due in more than one year	10,130,000
Total liabilities	<u>10,308,454</u>
Deferred Inflows of Resources	
Deferred property tax revenue	3,064
Total deferred inflows of resources	<u>3,064</u>
Net Position	
Restricted for:	
Emergency	2,227
Unrestricted	(3,405,855)
Total Net Position	<u>(3,403,628)</u>
Total Liabilities, deferred inflows of resources and Net Position	<u>\$ 6,907,890</u>

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

Lupton Village Residential Metropolitan District
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and other fees	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 459,137	\$ -	\$ -	\$ -	\$ (459,137)
Interest and related costs on long term debt	158,674	-	-	-	(158,674)
Conveyance of Improvements to the City of Fort Lupton	<u>3,350,670</u>	-	-	-	<u>(3,350,670)</u>
	<u>\$ 3,968,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,968,481)</u>
General revenues:					
Property taxes					305
Specific ownership taxes					13
Other revenues					1,577
Intergovernmental revenues					<u>573,469</u>
Total general revenues					<u>575,364</u>
Change in net position					(3,393,117)
Net position - beginning of year					<u>(10,511)</u>
Net position - end of year					<u>\$ (3,403,628)</u>

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

Lupton Village Residential Metropolitan District
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2021

Assets	General Fund	Debt Service Fund	Capital Projects Fund	Total
Cash and investments - restricted	\$ 14,812	\$ -	\$ -	\$ 14,812
Cash and investments - unrestricted	-	4,874,487	-	4,874,487
Due from County Treasurer	1	-	-	1
Property taxes receivable	707	2,357	-	3,064
Total assets	\$ 15,520	\$ 4,876,844	\$ -	\$ 4,892,364
 Liabilities				
Accounts payable	\$ 7,319	\$ -	\$ -	\$ 7,319
Total liabilities	7,319	-	-	7,319
 Deferred Inflows of Resources				
Deferred property tax revenue	707	2,357	-	3,064
Total deferred inflows of resources	707	2,357	-	3,064
 Fund Balances				
Restricted:				
Emergency reserves	2,227	-	-	2,227
Debt service	-	4,874,487	-	4,874,487
Unassigned	5,267	-	-	5,267
Total Fund Balances	7,494	4,874,487	-	4,881,981
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,520	\$ 4,876,844	\$ -	\$ 4,892,364

Total governmental fund balance per above \$ 4,881,981

Amounts reported for governmental activities in the statement of net assets excluded from the governmental fund balance because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are excluded from the funds 2,015,526

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Developer advances	(13,035)
Bond proceeds	(10,130,000)
Accrued interest	(158,100)

Net position of governmental activities \$ (3,403,628)

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

Lupton Village Residential Metropolitan District
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues				
Property Taxes	\$ 305	\$ -	\$ -	\$ 305
Specific Ownership Taxes	13	-	-	13
Design Review Fees	1,000	-	-	1,000
Intergovernmental revenues	<u>78,469</u>	<u>-</u>	<u>495,000</u>	<u>573,469</u>
Total Revenues	<u>79,787</u>	<u>-</u>	<u>495,000</u>	<u>574,787</u>
Expenditures				
Management and Accounting Services	5,569	-	-	5,569
Legal	47,445	-	-	47,445
Insurance	2,524	-	-	2,524
Engineers	12,469	-	-	12,469
Treasurer Fees	5	-	-	5
Publication and Recording	81	-	-	81
Printing	20	-	-	20
Postage	230	-	-	230
SDA Dues	464	-	-	464
Interest	181	-	-	181
Trash	315	-	-	315
Mowing	4,940	-	-	4,940
Costs of Issuance	-	384,894	-	384,894
Capital outlay	<u>-</u>	<u>-</u>	<u>5,366,196</u>	<u>5,366,196</u>
Total Expenditures	<u>74,243</u>	<u>384,894</u>	<u>5,366,196</u>	<u>5,825,333</u>
Excess of revenues over (under) expenditures	5,544	(384,894)	(4,871,196)	(5,250,546)
Other financing sources (uses)				
Developer advances	(574)	-	-	(574)
Bond proceeds	-	10,130,000	-	10,130,000
Interest	-	577	-	577
Interfund transfers in (out)	<u>-</u>	<u>(4,871,196)</u>	<u>4,871,196</u>	<u>-</u>
Total other financing sources (uses)	<u>(574)</u>	<u>5,259,381</u>	<u>4,871,196</u>	<u>10,130,003</u>
Net change in fund balances	4,970	4,874,487	-	4,879,457
Fund balances:				
Beginning of the year	<u>2,524</u>	<u>-</u>	<u>-</u>	<u>2,524</u>
End of the year	<u>\$ 7,494</u>	<u>\$ 4,874,487</u>	<u>\$ -</u>	<u>\$ 4,881,981</u>

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

Lupton Village Residential Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

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

Net change in fund balance—total governmental funds	\$ 4,879,457
Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlays are not reported expenditures.	
Capital outlay - capitalized	5,366,196
Governmental funds do not report the conveyance of capital assets. In the Statement of Activities, the conveyance of capital assets is reported as an expenditure.	
	(3,350,670)
Long-term debt 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. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.	
Bond proceeds	(10,130,000)
Payment on developer advances	574
Accrued interest on developer advances - change in liability	<u>(158,674)</u>
Change in net position of governmental activities	<u>\$ (3,393,117)</u>

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

Lupton Village Residential Metropolitan District
Statement of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property Taxes	\$ 5,345	\$ 305	\$ 305	\$ -
Specific Ownership Taxes	-	13	13	-
Design Review Fees	-	1,000	1,000	-
Refunds/Other	-	78,469	78,469	-
Total Revenues	<u>5,345</u>	<u>79,787</u>	<u>79,787</u>	<u>-</u>
Expenditures				
County Treasurer's Collection Fees	-	5	5	-
Insurance and Bonds	3,000	2,524	2,524	-
Accounting and Legal	40,000	51,487	53,014	(1,527)
Election Costs	3,000	-	-	-
Miscellaneous	2,000	18,958	18,700	258
Total Expenditures	<u>48,000</u>	<u>72,974</u>	<u>74,243</u>	<u>(1,269)</u>
Excess Revenue Over (Under) Expenditures	<u>(42,655)</u>	<u>6,813</u>	<u>5,544</u>	<u>48,199</u>
Other financing sources (uses)				
Developer Advances	42,655	-	(574)	(574)
Bond Proceeds	-	-	-	-
Total other financing sources (uses)	<u>42,655</u>	<u>-</u>	<u>(574)</u>	<u>(574)</u>
Net change in fund balances	-	6,813	4,970	47,625
Fund Balances—Beginning of year	<u>1,440</u>	<u>2,523</u>	<u>2,524</u>	<u>1</u>
Fund Balances—End of Year	<u>\$ 1,440</u>	<u>\$ 9,336</u>	<u>\$ 7,494</u>	<u>\$ 47,626</u>

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

Lupton Village Residential Metropolitan District
Notes to Financial Statements
December 31, 2021

1. Definition of Reporting Entity

Lupton Village Residential Metropolitan District (the District), a quasi-municipal corporation, was organized in 2006 as Cottonwood Greens Metropolitan District No. 3. The District formerly changed its name to Lupton Village Residential Metropolitan District on November 12, 2019. The District is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the City of Fort Lupton, Weld County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of the public improvements in the most economic manner possible.

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

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

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct 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.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the 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 government 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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District 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 is 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 Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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 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 presented on the modified accrual basis of accounting unless otherwise indicated.

In 2021, the District amended its budget to allow for additional expenditures and reflect the creation of the Debt Service and Capital Projects Funds.

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 are reported at fair value.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Bond Issue Costs

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the period incurred.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes

Property taxes are levied by the District 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 for 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 sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets, which are anticipated to be conveyed to other governmental entities, are recorded as construction in progress and are not included in the calculation of invested in capital assets, net of related debt component of the District's net position.

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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.

Fund Equity

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.
- *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 policy to use the most restrictive classification first.

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

3. Cash and Investments

Cash

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

Statement of net position:

Cash and investments - unrestricted	\$ 14,812
Cash and investments - restricted	<u>4,874,487</u>
	<u>\$4,889,299</u>

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

Deposits with financial institutions	\$ 19,978
Investment in local government investment pool	<u>4,869,321</u>
	<u>\$4,889,299</u>

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

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

As of December 31, 2021, the District's cash deposits had a both a bank and carrying balance of \$19,978, all FDIC insured.

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 noted with an asterisk (*) below, 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 disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

**Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021**

3. Cash and Investments (continued)

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 the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- * Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Net Asset Value</u>
COLOTRUST	Weighted average under 60 days	\$ 4,869,321

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement.

The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust.

COLOTRUST is rated AAAM by Standard & Poor's COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021**

4. Capital Assets

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

	Balance December 31, 2020	Increases	Decreases	Balance December 31, 2021
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 5,366,196	\$ (3,350,670)	\$ 2,015,526
	\$ -	\$ 5,366,196	\$ (3,350,670)	\$ 2,015,526

5. Long-Term Liabilities

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

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
Developer Advances	\$ 13,035	\$ -	\$ -	\$ 13,035	\$ -
	\$ 13,035	\$ -	\$ -	\$ 13,035	\$ -
Bonded Debt:					
Series 2021 G.O. Bonds	\$ -	\$ 10,130,000	\$ -	\$ 10,130,000	\$ -
	\$ -	\$ 10,130,000	\$ -	\$ 10,130,000	\$ -

Developer Advances

Advance and Reimbursement Agreement

In February 2020, the District entered into an Advance and Reimbursement Agreement with FTL Land Assemblage, LLLP, a Colorado Limited liability partnership (the Developer), pursuant to which the Developer agreed to advance funds in one or more installments. Under the agreement, the funds are to be used for operation and maintenance costs. Outstanding amounts due under the agreement shall accrue simple interest at a rate of seven percent (7%) per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. The District's obligation to reimburse Developer under the agreement is not a multiple fiscal year obligation. Payments by

**Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021**

5. Long-Term Liabilities (continued)

the District shall be applied first to interest on, then to principal of the advances in chronological order to their effective date. The reimbursement obligation is subordinate to any bonded indebtedness of the District. The amount owed to the Developer under this agreement at December 31, 2021, includes advances of \$13,035 and accrued interest of \$1,929. The agreement shall continue until fully performed or terminated by mutual agreement of the Parties

General Obligation Limited Tax Bonds, Series 2021

On September 1, 2021, the District issued \$10,130,000 of General Obligation Limited Tax Bonds Series 2021 (the “Bonds”) for the purpose of funding additional public improvements in the District and for costs of issuance associated with the Bonds.

The Series 2021 bonds carry interest at the rate of 4.625% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available therefore on each December 1, commencing on December 1, 2021, and shall mature on December 1, 2051. In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will remain outstanding until the earlier of its payment or the termination date and shall continue to bear interest at the rate then borne by the Bonds. To the extent interest on the Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond.

The Bonds are structured as “cash flow” bonds, meaning there are no scheduled payments of principal thereof prior to the final scheduled maturity date. Instead, principal on the Bonds is payable annually on each December 1 from, and to the extent of, Pledged Revenue on deposit, if any, in the Bond Fund, pursuant to a special mandatory redemption.

The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on September 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium
September 1, 2026, to August 31, 2027	3.00%
September 1, 2027, to August 31, 2028	2.00%
September 1, 2028, to August 31, 2029	1.00%
September 1, 2029, and thereafter	0.00%

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

5. Long-Term Liabilities (continued)

The Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 2, 2061, regardless of the amount of principal and interest paid prior to the Termination Date. Upon such discharge, the owners of the Bonds will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

Event of Default include:

- a) Failure or refusal to impose the Required Mill Levy or to apply the Pledged Revenue
- b) Default in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Bond Indenture or the Bond Resolution
- c) Filing a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

The District acknowledges and agrees that the application of any portion of the Pledged Revenue to any purpose other than deposit with the Trustee constitutes a violation and a breach of covenants, resulting in actions against the District in law or in equity.

In the event of default, the bondholder may appoint a receiver or other custodian, be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Bond Indenture to, the Trustee, or take other legal action according to the agreement deemed appropriate.

On November 3, 2020, a majority of qualified electors of the District who voted in the election authorized the issuance of indebtedness. Pursuant to the Amended and Restated Service Plan, dated December 31, 2019, the District is permitted to issue bond indebtedness of up to \$18,924,000. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. At December 31, 2021, the District had \$8,794,000 of authorized but unissued debt.

All long-term debt is expected to be repaid by limited taxes imposed and collected for no greater than the maximum debt mill levy imposition term of residential properties and at a mill levy no higher than 55.277 mills.

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

6. Agreements

Intergovernmental Agreement Regarding Shared Costs

On May 21, 2021, the District entered into an Intergovernmental Agreement with Lupton Village Commercial Metropolitan District setting forth the terms upon which the Districts will pay for certain public improvements that are shared by or constructed for the benefit of both Districts.

The Districts acknowledge and agree that certain public infrastructure within the Development are intended to benefit the property owners, taxpayers, and service users of both Districts, including without limitation the streets, traffic and safety facilities, storm drainage, water and sewer facilities and other public infrastructure to be constructed along South Rollie Avenue, Reynolds Street, South Denver Avenue and Weld County Road 12. Subject to approval by a majority of the Board of Directors of the relevant District and the availability of funds, either District may pay for or reimburse all or a portion of the costs for such shared public improvements. The Districts may agree to jointly fund all or portions of the shared public improvements, provided that any such joint funding be approved by way of a joint resolution approved by both Districts' Boards of Directors. Any such payments or reimbursements by a District shall not be considered a loan by that District to the other and neither District is obligated to re-pay or reimburse the other for the cost of any shared public improvements. It is the intention of the Districts to fund the shared public improvements in amounts that approximately equate to the acreage in each District as a percentage of the total acreage in the Development. Subject to the availability of funds and approval by its Board of Directors, each District agrees to use reasonable efforts to pay or re-pay its proportionate share of the cost of the shared public improvements. The agreement does not obligate either District to pay for any public improvements and remains in effect until terminated. Either District may terminate the agreement by providing no less thirty days written notice to the other District.

Expenditures in the current year under this agreement are identified as Intergovernmental Fees on the Statement of Revenues, Expenditures, and Change in Fund Balance.

7. Net Position

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds attributable to the acquisition, construction, or improvement of those assets, excluding unspent bond proceeds. As of December 31, 2021, the District had a net investment in capital assets in the amount of \$(4,019,299).

Restricted assets include the net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021

7. Net Position (continued)

The District had restricted net position as of December 31, 2021 as follows:

Restricted net position:

Emergency Reserves (see Note 9)	<u>\$ 2,227</u>
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The District's unrestricted net position as of December 31, 2021 is \$(3,405,855).

8. Risk Management

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. 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.

9. 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.

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.

**Lupton Village Residential Metropolitan District
Notes to Financial Statements (continued)
December 31, 2021**

10. Related Parties

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. District management believes that all potential conflicts, if any, have been properly disclosed.

Supplementary Information

Lupton Village Residential Metropolitan District
Schedule of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Bond Proceeds	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Cost of Issuance	-	384,894	384,894	-
Total Expenditures	<u>-</u>	<u>384,894</u>	<u>384,894</u>	<u>-</u>
Excess Revenue Over (Under) Expenditures	<u>-</u>	<u>(384,894)</u>	<u>(384,894)</u>	<u>-</u>
Other financing sources (uses)				
Interest	-	-	577	577
Bond proceeds	-	10,130,000	10,130,000	-
Transfers out	-	(4,871,196)	(4,871,196)	-
Total other financing sources (uses)	<u>-</u>	<u>5,258,804</u>	<u>5,259,381</u>	<u>577</u>
Net change in fund balances	-	4,873,910	4,874,487	577
Fund Balances—Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances—End of Year	<u>\$ -</u>	<u>\$ 4,873,910</u>	<u>\$ 4,874,487</u>	<u>\$ 577</u>

Lupton Village Residential Metropolitan District
Schedule of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Intergovernmental Revenues	\$ -	\$ -	\$ 495,000	\$ 495,000
Total Revenues	<u>-</u>	<u>-</u>	<u>495,000</u>	<u>495,000</u>
Expenditures				
Capital Improvements	-	-	5,366,196	(5,366,196)
Total Expenditures	<u>-</u>	<u>-</u>	<u>5,366,196</u>	<u>(5,366,196)</u>
Excess Revenue Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(4,871,196)</u>	<u>(4,871,196)</u>
Other financing sources (uses)				
Interest	-	-	-	-
Bond proceeds	-	-	-	-
Interfund transfer in (out)	-	-	4,871,196	4,871,196
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,871,196</u>	<u>4,871,196</u>
Net change in fund balances	-	-	-	-
Fund Balances—Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances—End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>