

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

**Financial Statements  
December 31, 2021**



## TABLE OF CONTENTS


	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	I-III
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	1
Statement of Activities .....	2
Governmental Fund Balance Sheet and Reconciliation of Fund Balance to Net Position .....	3
Governmental Fund Revenues, Expenditures, and Change in Fund Balance .....	4
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Fund to the Statement of Activities .....	5
Statement of Revenue, Expenditures and Change in Fund Balance —Actual and Budget—Governmental Fund Type—General Fund .....	6
Notes to Basic Financial Statements.....	7-14



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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Lupton Village Commercial 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 Commercial 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 Commercial 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 Commercial 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.

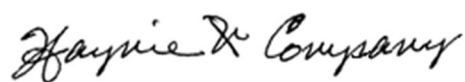
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Commercial 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 Commercial 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 the 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.



Littleton, Colorado  
September 21, 2022

## **BASIC FINANCIAL STATEMENTS**

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

<b>Assets</b>	<b>Governmental Activities</b>
Cash and investments	\$ 776,111
Accounts receivable	3,772
Property taxes receivable	304,968
Prepaid expenses	495
Total assets	\$ 1,085,346
<b>Liabilities</b>	
Accounts payable	\$ 4,315
Accrued interest	2,814
Non-current liabilities	
Due in more than one year	18,424
Total liabilities	25,553
<b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	304,968
Total deferred inflows of resources	304,968
<b>Net Position</b>	
Restricted for:	
Emergency	18,489
Unrestricted	736,336
Total Net Position	754,825
Total Liabilities, deferred inflows of resources and Net Position	\$ 1,085,346

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services and</u> <u>other fees</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary Government</u>  <u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 616,307	\$ -	\$ -	\$ -	\$ (616,307)
Interest and related costs on long term debt	2,814	-	-	-	(2,814)
	<u>\$ 619,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(619,121)</u>
General revenues:					
Property taxes					1,350,198
Specific ownership taxes					38,545
Other revenues					1,171
Total general revenues					<u>1,389,914</u>
Change in net position					770,793
Net position - beginning of year					(15,968)
Net position - end of year					<u>\$ 754,825</u>

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

**Lupton Village Commercial Metropolitan District**  
**Governmental Fund Balance Sheet**  
**and Reconciliation of Fund Balance to Net Position**  
**December 31, 2021**

	<b>General Fund</b>
<b>Assets</b>	
Cash and Equivalents	\$ 776,111
Accounts receivable	3,772
Property taxes receivable	304,968
Prepaid expenses	495
Total assets	\$ 1,085,346
 <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 4,315
Total liabilities	4,315
 <b>Deferred Inflows of Resources</b>	
Deferred property tax revenue	304,968
Total deferred inflows of resources	304,968
 <b>Fund Balances</b>	
Nonspendable	495
Restricted:	
Emergency reserves	18,489
Unassigned	757,079
Total Fund Balance	776,063
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,085,346</b>
Total governmental fund balance per above	\$ 776,063
 Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:	
 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	(18,424)
Accrued interest	(2,814)
Net position of governmental activities	\$ 754,825

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

**Lupton Village Commercial Metropolitan District**  
**Governmental Fund Revenues, Expenditures**  
**and Change in Fund Balance**  
**For the Year Ended December 31, 2021**

	<b>General</b>
<b>Revenues</b>	
Property Taxes	\$ 1,350,198
Specific Ownership Taxes	38,545
Interest Revenue	1,171
Total Revenues	1,389,914
<b>Expenditures</b>	
Intergovernmental Fees	573,469
Treasurer's Fees	20,253
Legal	16,400
Insurance	3,019
Management & Accounting Services	2,532
SDA Dues	469
Publication and Recording	89
Interest	54
Bank Fees	16
Postage	5
Printing	1
Total Expenditures	616,307
<b>Excess of revenues over (under) expenditures</b>	773,607
<b>Other financing sources (uses)</b>	
Developer Advance Payment	(68)
Total other financing sources (uses)	(68)
<b>Net change in fund balances</b>	773,539
<b>Fund balances:</b>	
Beginning of the year	2,524
End of the year	\$ 776,063

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

**Lupton Village Commercial Metropolitan District**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balance of Governmental Fund**  
**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 fund	\$	773,539
<p>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.</p>		
Repayment of developer advances		68
Accrued interest on developer advances - change in liability		<u>(2,814)</u>
Change in net position of governmental activities	\$	<u>770,793</u>

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Interest Revenue	\$ -	\$ 1,171	\$ 1,171
Property Taxes	1,350,198	1,350,198	-
Specific Ownership Taxes	-	38,545	38,545
Tax Related Interest	-	-	-
Total Revenues	<u>1,350,198</u>	<u>1,389,914</u>	<u>39,716</u>
<b>Expenditures</b>			
Intergovernmental Expenses	1,260,000	573,469	686,531
Accounting and Legal	40,000	39,185	815
Insurance	3,000	3,019	(19)
Election Costs	3,000	-	3,000
Miscellaneous	<u>2,000</u>	<u>634</u>	<u>1,366</u>
Total Expenditures	<u>1,308,000</u>	<u>616,307</u>	<u>691,693</u>
<b>Excess Revenue Over (Under)</b>			
<b>Expenditures</b>	<u>42,198</u>	<u>773,607</u>	<u>731,409</u>
<b>Other financing sources (uses)</b>			
Developer advances	<u>-</u>	<u>(68)</u>	<u>(68)</u>
Total other financing sources (uses)	<u>-</u>	<u>(68)</u>	<u>(68)</u>
<b>Net change in fund balances</b>	42,198	773,539	731,341
<b>Fund Balances—Beginning of year</b>	<u>1,440</u>	<u>2,524</u>	<u>1,084</u>
<b>Fund Balances—End of Year</b>	<u>\$ 43,638</u>	<u>\$ 776,063</u>	<u>\$ 732,425</u>

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

# **Lupton Village Commercial Metropolitan District**

## **Notes to Financial Statements**

### **December 31, 2021**

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#### **1. Definition of Reporting Entity**

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Lupton Village Commercial Metropolitan District (the District), a quasi-municipal corporation, was organized in 2006 as Cottonwood Greens Metropolitan District No. 4. The District formerly changed its name to Lupton Village Commercial 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.

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#### **2. Summary of Significant Accounting Policies**

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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 Commercial Metropolitan District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021**

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**2. Summary of Significant Accounting Policies (continued)**

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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.

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

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**2. Summary of Significant Accounting Policies (continued)**

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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.

**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.

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

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**2. Summary of Significant Accounting Policies (continued)**

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**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.

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.

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

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**2. Summary of Significant Accounting Policies (continued)**

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- *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.

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**3. Cash and Investments**

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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 carrying balance of \$776,111 and a bank balance of \$776,606, of which \$250,000 was FDIC insured.

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

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**4. Long-Term Liabilities**

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**Developer Advances**

*Advance and Reimbursement Agreement*

In February 2020, the District entered into a 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 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 \$18,424 and accrued interest of \$2,814. The agreement shall continue until fully performed or terminated by mutual agreement of the Parties.

The following is an analysis of changes in Developer Advances for the year ended December 31, 2021:

	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2021</b>	<b>Due Within One Year</b>
Developer Advances	\$ 18,424	\$ -	\$ -	\$ 18,424	\$ -
	\$ 18,424	\$ -	\$ -	\$ 18,424	\$ -

The Amended and Restated Service Plan, dated December 31, 2019, limits the issuance of debt to \$9,369,550.

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**5. Agreements**

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**Intergovernmental Agreement Regarding Shared Costs**

On May 21, 2021, the District entered into an Intergovernmental Agreement with Lupton Village Residential 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.

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

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**5. Agreements (continued)**

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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.

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**6. Net Position**

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

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

Restricted net position:

Emergency Reserves (see Note 7)	\$ <u>18,489</u>
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The District's unrestricted net position as of December 31, 2021 is \$736,337.

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

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**7. Risk Management**

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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.

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**8. Tax, Spending and Debt Limitations**

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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.

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**9. Related Parties**

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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.