

Airpark North Metropolitan District No. 1

Year Ended December 31, 2021
with
Independent Auditor's Report

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Board of Directors
Airpark North Metropolitan District No. 1
Weld County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Airpark North Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Airpark North Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position and the respective 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 (GAAS). 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 opinions.

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, (GAAP) 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 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 opinions. 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 GAAS 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 GAAS, 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.

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Wipfli LLP
Lakewood, Colorado

September 21, 2022

Airpark North Metropolitan District No. 1

Balance Sheet/Statement of Net Position Governmental Funds December 31, 2021

	General	Capital Projects	Total	Adjustments	Statement of Net Position
Assets:					
Cash and investments	\$ 16,273	\$ -	\$ 16,273	\$ -	\$ 16,273
Cash and investments - restricted	1,197	-	1,197	-	1,197
Developer advance receivable	7,658	1,589,816	1,597,474	-	1,597,474
Accounts receivable - other	871	-	871	-	871
Capital assets, not being depreciated	-	-	-	4,170,640	4,170,640
Total assets	\$ 25,999	\$ 1,589,816	\$ 1,615,815	4,170,640	5,786,455
Liabilities:					
Accounts payable	\$ 785	\$ 1,395,874	\$ 1,396,659	-	1,396,659
Retainage payable	-	193,942	193,942	-	193,942
Long-term liabilities:					
Due in more than one year	-	-	-	2,655,022	2,655,022
Total liabilities	785	1,589,816	1,590,601	2,655,022	4,245,623
Deferred inflows of resources:					
Deferred developer advances	24,017	-	24,017	-	24,017
Total deferred inflow of resources	24,017	-	24,017	-	24,017
Fund balances:					
Restricted for:					
Emergencies	1,197	-	1,197	(1,197)	-
Total fund balances	1,197	-	1,197	(1,197)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 25,999	\$ 1,589,816	\$ 1,615,815		
Net position:					
Restricted for:					
Emergencies				1,197	1,197
Capital projects				-	-
Unrestricted				1,515,618	1,515,618
				\$ 1,516,815	\$ 1,516,815

(See Notes to Basic Financial Statements)

Airpark North Metropolitan District No. 1

Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities - Governmental Funds Year Ended December 31, 2021

	General	Capital Projects	Total	Adjustments	Statement of Activities
Expenditures:					
Accounting, audit and finance	\$ 12,750	\$ -	\$ 12,750	\$ -	\$ 12,750
District management	10,410	-	10,410	-	10,410
Legal	14,851	-	14,851	-	14,851
Office, dues and other	728	-	728	-	728
Capital outlay	-	3,988,231	3,988,231	(3,988,231)	-
Project administration	-	40,268	40,268	(40,268)	-
Engineering	-	129,360	129,360	(129,360)	-
Permit, fees and other	-	2,798	2,798	(2,798)	-
Developer advance interest expense	-	-	-	33,239	33,239
Total expenditures	<u>38,739</u>	<u>4,160,657</u>	<u>4,199,396</u>	<u>(4,127,418)</u>	<u>71,978</u>
Other financing sources					
Developer advances	<u>39,913</u>	<u>4,160,657</u>	<u>4,200,570</u>	<u>(2,621,029)</u>	<u>1,579,541</u>
Total other financing sources	<u>39,913</u>	<u>4,160,657</u>	<u>4,200,570</u>	<u>(2,621,029)</u>	<u>1,579,541</u>
Net changes in fund balances	1,174	-	1,174	(1,174)	-
Change in net position				1,507,563	1,507,563
Fund balances/net position - beginning of year	<u>23</u>	<u>-</u>	<u>23</u>	<u>9,229</u>	<u>9,252</u>
Fund balances/net position - end of year	<u>\$ 1,197</u>	<u>\$ -</u>	<u>\$ 1,197</u>	<u>\$ 1,515,618</u>	<u>\$ 1,516,815</u>

(See Notes to Basic Financial Statements)

Airpark North Metropolitan District No. 1

Statement of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual
General Fund
Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures:			
Accounting, audit and finance	\$ 11,460	\$ 12,750	\$ (1,290)
District management	14,040	10,410	3,630
Facilities management	7,200	-	7,200
Insurance	3,200	-	3,200
Legal	10,000	14,851	(4,851)
Office, dues and other	10,000	728	9,272
Hardscape maintenance	1,200	-	1,200
Total expenditures	<u>57,100</u>	<u>38,739</u>	<u>18,361</u>
Excess (deficiency) of revenues over expenditures	(57,100)	(38,739)	18,361
Other financing sources:			
Developer advances	<u>59,100</u>	<u>39,913</u>	<u>(19,187)</u>
Total other financing sources	<u>59,100</u>	<u>39,913</u>	<u>(19,187)</u>
Net change in fund balance	2,000	1,174	(826)
Fund balance - beginning of year	<u>-</u>	<u>23</u>	<u>23</u>
Fund balance - end of year	<u>\$ 2,000</u>	<u>\$ 1,197</u>	<u>\$ (803)</u>

(See Notes to Basic Financial Statements)

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

1. Summary of Significant Accounting Policies

The accounting policies of the Airpark North Metropolitan District No. 1 (the "District"), located in Larimer 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

The District is a quasi-municipal corporation and political subdivision of the State of Colorado organized on November 18, 2020 under the State of Colorado Special District Act. The District was organized as part of a service plan establishing the District, Airpark North Metropolitan District No. 2 ("District No. 2"), Airpark North Metropolitan District No. 3 ("District No. 3"), and Airpark North Metropolitan District No. 4 ("District No. 4"). The District, District No. 2, District No. 3, and District No. 4 are collectively referred to as the "Airpark North Districts". District No. 1 is to be the service district and manages and oversees the permitted district activities. District Nos. 2, 3 and 4 are the financing districts, as set forth in the Intergovernmental Agreement Concerning District Operations, entered into on December 17, 2020, between the Airpark North Districts.. The District was established to provide for the construction and financing of the public improvements for the use and benefit of the residents and property owners within the service area. The District is governed by an elected Board of Directors.

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

The District follows the 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

As of December 31, 2021, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

Basis of presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of governmental fund revenues, expenditures and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. The effect of interfund activity has been removed from these statements.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

The statement of net position reports all financial and capital resources of the District. The difference between (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 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 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 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 *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other revenue items are considered to be measurable and available only when the District receives the cash.

The District reports the following major governmental funds:

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

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

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Budgets and 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 appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget 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.

Assets, Liabilities and Net Position

Fair value of financial instruments

The District's financial instruments include cash and investments, 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 investments 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.

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility.

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 estimated fair value at the date of donation.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Capital assets (continued)

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.

Long-term obligations

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

Deferred outflows/inflows of resources

In addition to assets, the statement of net 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 does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 item that qualifies for reporting in this category. Deferred developer advances are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

1. Summary of Significant Accounting Policies (continued)

Fund balances

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:

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

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or 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 \$1,197 of the General Fund balance has been restricted in compliance with this requirement.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

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.

Net Position

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

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

2. Cash and Investments

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

Statement of net position:	
Cash and investments	\$ 16,273
Cash and investments - restricted	1,197
Total cash and investments	<u>\$ 17,470</u>

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

Deposits with institutions	\$ 17,470
Total	<u>\$ 17,470</u>

Deposits with financial institutions

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

3. Capital Assets

Changes in capital assets for the year ended December 31, 2021 are as follows:

	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021
<u>Capital Assets Not Being Depreciated</u>				
Construction in Progress	\$ 9,983	\$ 4,160,657	\$ -	\$ 4,170,640
Total Capital Assets Not Being Depreciated	<u>\$ 9,983</u>	<u>\$ 4,160,657</u>	<u>\$ -</u>	<u>\$ 4,170,640</u>

Upon completion and acceptance, a majority of the capital assets will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

4. Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2021 are as follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Current Portion
Developer Advances - Principal:					
Operating	\$ 754	\$ 39,913	\$ -	\$ 40,667	\$ -
Capital	-	2,581,116	-	2,581,116	-
Developer Advances - Accrued Interest:					
Capital	-	33,239	-	33,239	-
Total	\$ 754	\$ 2,654,268	\$ -	\$ 2,655,022	\$ -

The following are descriptions of the District's long-term obligations.

Funding and Reimbursement Agreement

On December 17, 2020, the District entered into a Funding and Reimbursement Agreement (the "FRA") whereby the District agrees to reimburse Interstate Land Holdings, LLC (the "Developer"), for all District costs incurred by the Developer, whether by expending funds on behalf of the District or by advancement of funds to the District for the purpose of providing public infrastructure including all related costs such as organization costs, operations and maintenance, engineering, surveying, construction and the costs of acquiring public lands. On October 18, 2021, the District entered into a First Amendment to 2021 Funding Reimbursement Agreement with Interstate Land Holdings, LLC and, in connection therewith, refunded the 2021 Subordinate Note and issued of the 2022 Subordinate Note. The principal balance is not to exceed \$175,000. Reimbursement obligations, as defined therein, do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The obligation of the District to reimburse the Developer for advances made under the FRA expires on December 16, 2060, and any amounts of principal or interest outstanding on such date are deemed to be forever discharged and satisfied. The advances bear no interest and are to be repaid using bond proceeds or any other legally available revenues. As of December 31, 2021, advances under this agreement totaled \$40,667.

Improvement Acquisition, Advance and Reimbursement Agreement

On December 17, 2020, the District entered into an Improvement Acquisition, Advance and Reimbursement Agreement whereby the District agrees to reimburse the Developer for all District costs incurred by the Developer, whether by construction of public infrastructure or by advancement of funds to the District for the purpose of providing public infrastructure including all related costs such as (but not limited to) organization costs, engineering, architectural, surveying, construction planning, and related legal, accounting and other professional services. On October 18, 2021, the District entered into a First Amendment to Improvement Acquisition, Advance and Reimbursement Agreement and, in connection therewith, refunded the 2020 Subordinate Note and issued a 2021 Subordinate Note.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

4. Long-Term Obligations (continued)

Improvement Acquisition, Advance and Reimbursement Agreement (continued)

Upon demand by the Developer, the District shall issue one or more Reimbursement Obligations payable to the Developer for a principal amount up to the amount of certified eligible costs, as defined in the agreement. Such Reimbursement Obligations constitute multiple fiscal year financial obligations of the District and are subject to annual appropriation by the District, and will be secured by ad valorem property taxes as permitted by the District's Service Plan. The Reimbursement Obligations will be negotiated at market rates with specified maturity dates. The obligation of the District to reimburse the Developer for advances made under the Improvement Acquisition, Advance and Reimbursement Agreement expires on December 16, 2060 and any amounts of principal or interest outstanding on such date are deemed to be forever discharged and satisfied.

The advances (except to the extent converted to a Reimbursement Obligation) do not constitute multiple fiscal year financial obligations of the District and are not subject to annual appropriation by the District. The advances bear simple interest as to each advance or expenditure made hereunder at a fixed rate not to exceed the prime interest rate (as reported on the date of issuance by The Wall Street Journal) plus 3% up to a maximum interest rate of 8.5% per annum from the date of the advance. The Reimbursement Obligations are not to exceed a maximum principal amount of \$6,000,000 and are to be repaid using bond proceeds or any other legally available revenues. As of December 31, 2021, all amounts are considered advances, and advances totaled \$2,581,116, plus \$33,239 in accrued interest.

5. Net Position

The District's net position consists of two components – restricted and unrestricted.

Restricted assets include 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 no restricted net position as of December 31, 2021.

As of December 31, 2021, the District has unrestricted net position of \$1,516,815.

6. Economic Dependency

The District has not yet established a revenue base sufficient to pay for the District's capital improvement requirements. Until an independent revenue base is established, the continuation of capital improvements in the District will be dependent on funding by the Developer.

7. Related Party Transactions

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. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

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

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation 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, referred to as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

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

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 and 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 November 3, 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.

Airpark North Metropolitan District No. 1

Notes to Basic Financial Statements Year Ended December 31, 2021

10. 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 in the funds; and,
- 2) long-term liabilities such as developer advances 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 these assets are held as construction in progress 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; and,
- 3) 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

Airpark North Metropolitan District No. 1

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Capital Projects Fund Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance - Favorable (Unfavorable)
Expenditures:			
Capital outlay	\$ 6,000,000	\$ 3,988,231	\$ 2,011,769
Project administration	-	40,268	(40,268)
Engineering	-	129,360	(129,360)
Permit, fees and other	-	2,798	(2,798)
Total expenditures	<u>6,000,000</u>	<u>4,160,657</u>	<u>1,839,343</u>
Excess (deficiency) of revenues over expenditures	(6,000,000)	(4,160,657)	1,839,343
Other financing sources:			
Developer advances	<u>6,000,000</u>	<u>4,160,657</u>	<u>(1,839,343)</u>
Total other financing sources	<u>6,000,000</u>	<u>4,160,657</u>	<u>(1,839,343)</u>
Net change in fund balance	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>