

LLA METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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Board of Directors  
LLA 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 LLA 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 LLA 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.

*Wipfli LLP*

Wipfli LLP  
Lakewood, Colorado

July 27, 2022

# LLA METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>				
Cash and investments	\$ 29,190	\$ 29,190	\$ -	\$ 29,190
Cash and investments - restricted	1,940,666	1,940,666	-	1,940,666
Receivable - District No. 2	13,824	13,824	-	13,824
Receivable - developer	610	610	-	610
Prepaid expenses	<u>2,528</u>	<u>2,528</u>	<u>-</u>	<u>2,528</u>
Total Assets	<u>\$ 1,986,818</u>	<u>\$ 1,986,818</u>	<u>-</u>	<u>1,986,818</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 5,792</u>	<u>\$ 5,792</u>	<u>-</u>	<u>5,792</u>
Long-term liabilities:				
Due in more than one year	<u>-</u>	<u>-</u>	<u>144,491</u>	<u>144,491</u>
Total Liabilities	<u>5,792</u>	<u>5,792</u>	<u>144,491</u>	<u>150,283</u>
<b>FUND BALANCES/NET POSITION</b>				
Fund Balances:				
Nonspendable:				
Prepays	2,528	2,528	(2,528)	-
Restricted:				
Emergencies	741	741	(741)	-
Capital projects	1,939,925	1,939,925	(1,939,925)	-
Unassigned	<u>37,832</u>	<u>37,832</u>	<u>(37,832)</u>	<u>-</u>
Total Fund Balances	<u>1,981,026</u>	<u>1,981,026</u>	<u>(1,981,026)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,986,818</u>	<u>\$ 1,986,818</u>		
Net Position:				
Restricted for:				
Emergencies			741	741
Capital projects			1,939,925	1,939,925
Unrestricted			<u>(104,131)</u>	<u>(104,131)</u>
Total Net Position			<u>\$ 1,836,535</u>	<u>\$ 1,836,535</u>

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

# LLA METROPOLITAN DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES GOVERNMENTAL FUND For the Year Ended December 31, 2021

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>				
Accounting and audit	\$ 8,820	\$ 8,820	\$ -	\$ 8,820
Insurance	3,047	3,047	-	3,047
Legal	12,871	12,871	-	12,871
Repay developer advances - interest	-	-	8,452	8,452
Total Expenditures	<u>24,738</u>	<u>24,738</u>	<u>8,452</u>	<u>33,190</u>
<b>GENERAL REVENUES</b>				
Intergovernmental Revenue from District No. 2	14,010	14,010	-	14,010
Intergovernmental Revenue from Town	1,001,674	1,001,674	-	1,001,674
Interest income	500	500	-	500
Total General Revenues	<u>1,016,184</u>	<u>1,016,184</u>	<u>-</u>	<u>1,016,184</u>
NET CHANGES IN FUND BALANCES	991,446	991,446	(991,446)	
CHANGE IN NET POSITION			982,994	982,994
<b>FUND BALANCE/NET POSITION:</b>				
BEGINNING OF YEAR	989,580	989,580	(136,039)	853,541
END OF YEAR	<u>\$ 1,981,026</u>	<u>\$ 1,981,026</u>	<u>\$ (144,491)</u>	<u>\$ 1,836,535</u>

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

# LLA METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	Original & Final		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Intergovernmental Revenue from District No. 2	\$ 15,118	\$ 14,010	\$ (1,108)
Intergovernmental Revenue from Town	-	1,001,674	1,001,674
Interest income	-	500	500
Total Revenues	15,118	1,016,184	1,001,066
<b>EXPENDITURES</b>			
Accounting and audit	4,500	8,820	(4,320)
Insurance	4,600	3,047	1,553
Legal	20,000	12,871	7,129
Miscellaneous expenses	100	-	100
Contingency	32,978	-	32,978
Total Expenditures	62,178	24,738	37,440
<b>NET CHANGE IN FUND BALANCE</b>	(47,060)	991,446	1,038,506
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	47,094	989,580	942,486
END OF YEAR	\$ 34	\$ 1,981,026	\$ 1,980,992

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

# LLA METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2021

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the LLA Metropolitan District No. 1 (the “District”), located in the Town of Hudson (“Town”), in Weld 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 was organized on May 14, 2015, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. The District operates pursuant to a service plan approved by the Town on January 21, 2015 (the “Service Plan”). The District was established to finance and construct or acquire Public Improvements as defined in the Service Plan. The District's primary revenues are Intergovernmental Revenue from LLA Metropolitan District No. 2, (the “District 2”) and the Town. The District is governed by an elected board of directors.

The District and the Town have entered into an Intergovernmental Agreement as required by the Town and the District’s Service Plan. Under this agreement, the Districts must obtain the approval of the Town prior to: (i) any inclusion of property not within the Service Area of the District, or (ii) any consolidation with any other special districts other than a consolidation with District No. 2, which shall not require Town approval. Prior to the issuance of general obligation bonds to parties other than the Developer, the District shall prepare a plan of finance for the purposes of determining whether the proposed issuance satisfies the Minimum Criteria as set forth in the IGA, and the Town has 30 days to provide written objection to the issuance.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity.

Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

# LLA METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2021

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

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

### Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balance/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District.

The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

# LLA METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2021

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

The District reports the following major governmental fund:

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

### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to adopt the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

### 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.

### Estimates

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

## LLA METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2021

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

#### Fund Equity

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

#### Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$2,528 represents prepaid insurance.

#### Restricted Fund Balance

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

The restricted fund balance 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 \$741 of the General Fund balance has been reserved in compliance with this requirement. Also included is \$1,939,925 which is restricted for public improvements in compliance with the Tax Revenue Sharing Intergovernmental Agreement (Note 4).

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

#### Assigned Fund Balance

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

LLA METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2021

Unassigned Fund Balance

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

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2021, the District did not have any amount to report in this category.

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

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

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

Note 2: Cash and Investments

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

Statement of Net Position:

Cash and investments	\$ 29,190
Cash and investments - Restricted	<u>1,940,666</u>
Total	<u>\$ 1,969,856</u>

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

Deposits with financial institutions	\$ 29,312
Investments - COLOTRUST	<u>1,940,544</u>
	<u>\$ 1,969,856</u>

## LLA METROPOLITAN DISTRICT NO. 1

### Notes to Financial Statements December 31, 2021

#### Deposits

##### Custodial Credit Risk

The Colorado Public Deposit Protection Act (“PDPA”), requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

#### Investments

##### Investment Valuation

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

##### Credit Risk

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

##### Custodial and Concentration of Credit Risk

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

##### Interest Rate Risk

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

LLA METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2021

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

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2021, the District had \$1,940,544 invested in COLOTRUST.

Note 3: Long Term Obligations

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

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Current</u> <u>Portion</u>
Developer advance - Land	\$ 105,476	\$ -	\$ -	\$ 105,476	\$ -
Developer interest - Land	30,563	8,452	-	39,015	-
Total	<u>\$ 136,039</u>	<u>\$ 8,452</u>	<u>\$ -</u>	<u>\$ 144,491</u>	<u>\$ -</u>

As of December 31, 2021, the District has a remaining principal electoral authorization of \$500,000,000 as authorized in the November 3, 2015 election. The District has not budgeted to issue any new debt during 2022. Per the District’s Service Plan, the District cannot issue debt in excess of \$220,000,000.

# LLA METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2021

### Funding, Acquisition and Reimbursement Agreement for Improvements

On July 28, 2016, Lloyd Land (“Developer”) and the District entered into a Funding, Acquisition and Reimbursement Agreement for Improvements (“Agreement”) pursuant to which the District agreed to pay the actual Reimbursement Costs of completed improvements from either bond proceeds or Supplemental Revenue which includes System Development Fees and an Operating Mill Levy together with interest from the date of transfer of the improvements to the District or the Town at an annual rate equal to the net effective interest rate of the Bonds. The actual Reimbursement Costs shall not exceed \$6,200,000 unless subsequently authorized by amendment to this Agreement. The Developer agreed to construct certain Improvements in conformance with the requirements, standards and specifications of the Town and will be transferred or dedicated to the District or the Town for public use, free of all liens, encumbrances and obligations, in accordance with the terms of the Service Plan or as otherwise may be specified in writing by the District. The Developer further agreed to supply certain documentation as outlined in the Agreement.

On August 25, 2021, the District and the Developer approved the First Amendment to Funding, Acquisition and Reimbursement Agreement for Improvements whereby the interest rate was amended to be 8% per annum.

#### Note 4: Agreements with Other Governments

### Revenue Sharing and Cost Recovery Agreement

On April 26, 2017, the District and District No. 2 (collectively the “Districts”) entered into a Revenue Sharing And Cost Recovery Agreement to set forth their understanding with regards to sharing revenues received by District 2 in order to repay the District for fees and costs paid by the District associated with the Coordinated Activities, as defined therein. The Districts have agreed that in lieu of requiring District No. 2 to pay an amount certain to the District, District No. 2 will instead impose a mill levy upon all taxable property located within its boundaries at a rate not to exceed fifty mills (50.000), subject to a Gallagher Adjustment as described, starting with collection year 2018 and ending with collection year 2022 (the "Required Mill Levy"). Within 30 days' receipt of the revenues generated by the Required Mill Levy, including any and all specific ownership taxes related thereto ( collectively, the "Revenues"), and no less than on a monthly basis, District No. 2 shall tender the Revenues to the District and the District shall acknowledge receipt of the Revenues in writing to District No. 2. The Districts agree and acknowledge that District No. 2 shall be entitled to retain the first \$6,000 in property tax revenues generated from the imposition of the Required Mill Levy for District No. 2 to utilize for any lawful purpose during each fiscal year during which the Required Mill Levy is being imposed by District No. 2.

# LLA METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2021

### Tax Revenue Sharing Intergovernmental Agreement

On December 18, 2019, the District and the Town entered into a Tax Revenue Sharing Intergovernmental Agreement whereby the Town has agreed to share a portion of the tax revenue generated by the Enclave Property with the District for the purpose of financing public improvements. Upon receiving revenue from the Town's property tax levy in the year 2019 and any year thereafter through 2054, the Town agrees to annually budget and appropriate 50% of the gross revenues derived from said mill levy on the Enclave Property (collectively, the "Enclave Revenue Share"), for payment to the District to fund or reimburse costs incurred to finance and construct those public improvements the District is authorized to provide under its Service Plan that benefit both the Town and the Enclave Property (the "Public Improvements"). Public Improvements shall include, but shall not be limited to, any of the following: Railroad underpass at Interstate Highway 76 and County Road 49 (also known as Kersey Road); road improvements in and around the District including to County Road 51; construction, installation and extension of water and/or sewer improvements from the Town to the District, provided, however, that no such water improvements shall be related to the Water Depot. The Town agrees to distribute the Enclave Revenue Share to the District annually on or before November 30<sup>th</sup> of each year, beginning on November 30, 2020. The distribution of the Enclave Revenue Share by the Town shall be contingent on the District or District No. 2 certifying a mill levy of no less than 15 mills for collection during the year of distribution of the Enclave Revenue Share. The agreement further outlines the uses of the Shared Revenue, and the Timing of the Shared Revenue Expenditures. According to the agreement, it is intended that the Enclave Revenue Share will be expended within 7 years from the date of the first distribution and within 7 years of each distribution thereafter. The Agreement also requires these funds be maintained in an interest bearing account. During 2021, the District received \$1,001,674.

### Note 5: Tax, Spending and Debt Limitations

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

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

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.

# LLA METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2021

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On May 5, 2015, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

### Note 6: Risk Management

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

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

### Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) Long-term liabilities such as developer advance reimbursements and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

LLA METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2021

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

- 1) 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;
- 2) governmental funds report developer advances as revenue; 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.