

**PRAIRIESTAR METROPOLITAN  
DISTRICT NO. 1**

**Financial Statements**

**December 31, 2021**

# PRAIRIESTAR METROPOLITAN DISTRICT NO. 1

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## Dazzio & Associates, PC

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Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
PrairieStar Metropolitan District No. 1  
Larimer County, Colorado

#### Report on the Audit of the Financial Statements

##### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of PrairieStar 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### *Basis for 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 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Management has omitted Management's 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.

### ***Supplementary 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 Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The Other Information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Duggio & Associates, P.C.*

June 9, 2022

## **BASIC FINANCIAL STATEMENTS**

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**STATEMENT OF NET POSITION**

**December 31, 2021**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Investments	\$ 48,423
Due from District No. 2	3,372,522
<b>Total Assets</b>	<b>3,420,945</b>
<b>Liabilities</b>	
Accounts Payable	48,072
Due to District No. 2	326
Due to District No. 3	25
Developer Advance Payable	3,372,522
<b>Total Liabilities</b>	<b>3,420,945</b>
<b>Net Position</b>	
Unrestricted	-
<b>Total Net Position</b>	<b>\$ -</b>

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**Statement of Activities  
For the Year Ended December 31, 2021**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
<b>Governmental Activities</b>					
Administration	\$ 205,216	\$ 6,950	\$ 242,184	\$ -	\$ 43,918
Interest and Related Costs on Long-term Debt	1,287,709	-	-	1,339,501	51,792
Transfer of Public Improvements to other Entities	2,740,692	-	-	16,458,021	13,717,329
<b>Total Governmental Activities</b>	<b>\$ 4,233,617</b>	<b>\$ 6,950</b>	<b>\$ 242,184</b>	<b>\$ 17,797,522</b>	<b>13,813,039</b>
			General Revenues:		
			Net Investment Income		2
			Special Item:		
			Forgiveness of Developer Advance Liability		3,897,734
			<b>Total General Revenues and Special Items</b>		<b>3,897,736</b>
			Changes In Net Position		17,710,775
			Net Assets - Beginning		(17,710,775)
			Net Position - Ending		\$ -

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
Cash and Investments	\$ 48,423	\$ -	\$ 48,423
Due from District No. 2	-	3,372,522	3,372,522
<b>Total Assets</b>	<u>\$ 48,423</u>	<u>\$ 3,372,522</u>	<u>\$ 3,420,945</u>
<b>Liabilities</b>			
Accounts Payable	\$ 48,072	\$ -	\$ 48,072
Due to District No. 2	326	-	326
Due to District No. 3	25	-	25
Developer Advance Payable	-	3,372,522	3,372,522
<b>Total Liabilities</b>	<u>48,423</u>	<u>3,372,522</u>	<u>3,420,945</u>
<b>Fund Balances</b>			
Unassigned	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 48,423</u>	<u>\$ 3,372,522</u>	<u>\$ 3,420,945</u>

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

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

**For the Year Ended December 31, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
Transfer from District No. 2	\$ 242,184	\$ 17,797,522	\$ 18,039,706
Transfer Fees	6,950	-	6,950
Net investment income	2	-	2
<b>Total Revenues</b>	<u>249,136</u>	<u>17,797,522</u>	<u>18,046,658</u>
<b>Expenditures</b>			
District Management	26,979	-	26,979
Accounting	23,315	-	23,315
Audit	8,756	-	8,756
Covenant Control Enforcement	40,870	-	40,870
Engineering	10,297	-	10,297
Insurance	7,668	-	7,668
Legal	62,566	-	62,566
Utilities	18,030	-	18,030
Miscellaneous	6,735	-	6,735
Project Construction	-	1,866,626	1,866,626
Repay Developer Advance - Principal	-	16,458,021	16,458,021
Repay Developer Advance - Interest	-	1,339,501	1,339,501
<b>Total Expenditures</b>	<u>205,216</u>	<u>19,664,148</u>	<u>19,869,364</u>
<b>Excess Revenues Over (Under) Expenditures</b>	43,920	(1,866,626)	(1,822,706)
<b>Other Financing Sources (Uses)</b>			
Developer Advances	-	1,866,626	1,866,626
Transfer In	-	17,008	17,008
Transfers Out	(17,008)	-	(17,008)
<b>Total Other Financing Sources (Uses)</b>	<u>(17,008)</u>	<u>1,883,634</u>	<u>1,866,626</u>
<b>Net Change in Fund Balances</b>	26,912	17,008	43,920
<b>Fund Balances - Beginning</b>	<u>(26,912)</u>	<u>(17,008)</u>	<u>(43,920)</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 43,920

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay	1,866,626
Transfer of public improvements to other governments	(2,740,692)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Repayment to Developer - Capital	\$ 16,458,021	
Repayment to Developer - Capital - Accrued Interest	1,339,501	
Developer Advance - Operations - Accrued Interest	(23,225)	
Developer Advance - Capital	(1,866,626)	
Developer Advance - Capital - Accrued Interest	(1,264,484)	
Forgiveness of Developer Advance Liabilities:		
Capital Accrued Interest	3,485,960	
Operations	308,938	
Operations Accrued Interest	102,836	18,540,921

Change in Net Position - Governmental Activities \$ 17,710,775

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

PRAIRIESTAR METROPOLITAN DISTRICT NO. 1

GENERAL FUND

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

For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual
<b>Revenues</b>					
Transfer from District No. 2	\$ 153,672	\$ 243,570	\$ 242,184	\$ (1,386)	\$ 114,852
Transfer from District No. 3	-	-	-	-	25
Transfer Fees	8,000	6,950	6,950	-	12,125
Landscape Review Fees	7,500	-	-	-	-
Net Investment Income	-	-	2	2	46
Miscellaneous Income	620	-	-	-	-
<b>Total Revenues</b>	<b>169,792</b>	<b>250,520</b>	<b>249,136</b>	<b>(1,384)</b>	<b>127,048</b>
<b>Expenditures</b>					
Current					
District Management	25,500	27,000	26,979	21	21,253
Accounting	11,000	23,500	23,315	185	15,515
Audit	10,000	8,800	8,756	44	9,554
Covenant Control Enforcement	40,000	41,000	40,870	130	38,692
Election	-	-	-	-	2,928
Engineering	8,000	10,300	10,297	3	6,938
Insurance	8,000	8,000	7,668	332	8,014
Legal	40,000	63,000	62,566	434	25,089
Common Area Landscaping	29,000	-	-	-	-
Social Activities	3,000	-	-	-	-
Utilities	10,000	18,000	18,030	(30)	11,835
Miscellaneous	8,000	7,000	6,735	265	7,372
Paying Agent Fees	-	-	-	-	3,000
Emergency Reserve	5,775	-	-	-	-
<b>Total Expenditures</b>	<b>198,275</b>	<b>206,600</b>	<b>205,216</b>	<b>1,384</b>	<b>150,190</b>
<b>Excess Expenditures over Revenues</b>	<b>(28,483)</b>	<b>43,920</b>	<b>43,920</b>	<b>-</b>	<b>(23,142)</b>
<b>Other Financing Sources (Uses)</b>					
Developer Advances	28,459	-	-	-	-
Transfers Out	-	(17,008)	(17,008)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>28,459</b>	<b>(17,008)</b>	<b>(17,008)</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(24)</b>	<b>26,912</b>	<b>26,912</b>	<b>-</b>	<b>(23,142)</b>
<b>Fund Balance - Beginning</b>	<b>24</b>	<b>(26,912)</b>	<b>(26,912)</b>	<b>-</b>	<b>(3,770)</b>
<b>Fund Balance - Ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (26,912)</b>

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021**

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**Note 1 – Definition of Reporting Entity**

The PrairieStar Metropolitan District No. 1 (the “District”), was originally organized by recorded Order and Decree of the District Court for the County of Larimer on December 8, 2010, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District operates under a Service Plan approved by the Town of Berthoud (the “Town”) on July 27, 2010. The District’s service boundaries are located entirely within the Town. The District is one of four related districts: PrairieStar Metropolitan Districts Nos. 1, 2, 3 and 4 (the “Districts”). The Districts entered into a Memorandum of Understanding that defines the various responsibilities the Districts (see Note 6). As of December 31, 2021, the Districts have the same membership of their respective Boards of Directors.

Pursuant to the Service Plan, the District has the power to provide for the design, acquisition, construction, installation, relocating, redeveloping and financing of certain water, sanitation, storm water, street, traffic and safety protection, transportation, mosquito control, park and recreation, television relay and translator, and fire protection improvements and services.

On December 10, 2021, PrairieStar Metropolitan District No. 2 (“District No. 2”) issued \$8,195,000 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2021A and \$13,645,000 Subordinate Limited Tax General Obligation Bonds, Series 2021B<sub>(3)</sub> (the “District No. 2 Bonds”). Concurrent with the issuance of the District No. 2 Bonds, and upon meeting the statutory requirements for dissolution, including termination of various funding agreements by the District (see Notes 5 and 6), it is the intention that the District would cease functioning as the operating district and dissolve.

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

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.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**Note 2 – Summary of Significant Accounting Policies**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these financial statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows 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 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 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 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. Property taxes are recognized as revenues in the year for which they are levied. Other items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

# PRAIRIESTAR METROPOLITAN DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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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 after year-end. 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. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental funds:

**General Fund** – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** – This fund is used to account for the acquisition and construction of the District's major capital facilities.

### 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 can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2021.

### Pooled Cash and Investments

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021**

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Cash and investments are presented on the balance sheet in the basic financial statements at fair value.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 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 inflow of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

The District imposed a mill levy for collection years 2014 through 2019, but there was not sufficient valuation to generate property tax revenues.

**Capital Assets**

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets defined by the District as assets include improvements to buildings and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premiums and discounts. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight method and charged to interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, even if withheld from the actual new

# PRAIRIESTAR METROPOLITAN DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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proceeds received, are reported as debt services expenditures, in both the government-wide statements and fund financial statements.

### **Net Position and Fund Equity**

#### Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as restricted and unrestricted.

Restricted Net Position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provision or enabling legislation

Unrestricted Net Position represents assets that do not have any third-party limitations on their use.

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.

#### 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:

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

*Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

PRAIRIESTAR METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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*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 practice to use the most restrictive classification first.

**Note 3 – Cash and Investments**

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

Cash and Investments - Unrestricted               \$          48,423

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

Cash Deposits	\$	44,326
Investments		<u>4,097</u>
Total	\$	<u>48,423</u>

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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**Cash Deposits**

Custodial credit risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) governs the investment of public funds. 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 (\$250,000) 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 institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions 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.

At December 31, 2021, the District's cash deposits had a bank balance of \$44,455 and a carrying balance of \$44,326.

**Investments**

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to obligations of the United States, certain U.S. government agency securities and Local Government Investment Pools, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of US local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 Days	<u>\$ 4,097</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24 75 601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor’s. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

The District holds all its investments in the COLOTRUST PLUS+ portfolio.

**Note 4 – Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dedicated to Other Entities</u>	<u>Transferred to District No. 2</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Construction in progress	<u>\$ 874,066</u>	<u>\$1,866,626</u>	<u>\$ (1,286,521)</u>	<u>\$ (1,454,171)</u>	<u>\$ -</u>

During the year ended December 31, 2021, the District dedicated all of the remaining capital assets to the Town or to District No 2.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

**Note 5 – Long-Term Obligations**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Amounts Paid</u>	<u>Amounts Forgiven</u>	<u>Ending Balance</u>
<b>Developer Advances</b>					
<b>Capital</b>					
Principal	\$ 14,591,395	\$ 1,866,626	\$ 16,458,021	\$ -	\$ -
Interest	3,560,977	1,264,484	1,339,501	3,485,960	-
<b>Operating</b>					
MYOFA - Principal	308,938	-	-	308,938	-
MYOFA - Interest	79,611	23,225	-	102,836	-
	<u>\$ 18,540,921</u>	<u>\$ 3,154,335</u>	<u>\$ 17,797,522</u>	<u>\$ 3,897,734</u>	<u>\$ -</u>

**Developer Advances**

The District entered into Operation Funding Agreements and a Facilities Funding and Acquisition Agreement with Prairiestar, Inc. (the “Developer”) as follows:

**Operation Funding Agreements**

**2013 - 2018 Operation Funding Agreement (“2013–2018 OFA”)**

On December 3, 2012, the District entered into a 2013–2018 OFA with the Developer.

The District anticipates a shortfall in operations revenues of \$5,400 (the “Shortfall Amount”) for the fiscal years 2013 through 2018. The Developer advances funds necessary to fund, or directly pay, the District’s operations and maintenance expenses on a periodic basis as needed for fiscal years 2013 through 2018 up to the Shortfall Amount. The agreement was amended on December 3, 2015 to increase the Shortfall Amount for fiscal years 2013 through 2018 to \$250,000.

The advances accrue simple interest at a rate of 8.0% per annum from the date of deposit in the District’s account. The repayment obligations do not constitute a multiple fiscal year financial obligation and are subject to annual appropriation. The obligation of the Developer to advance funds under the 2013–2018 OFA expired on March 15, 2019. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the 2013–2018 OFA on or before December 31, 2058, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021**

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The District intends to repay amounts advanced by the Developer pursuant to the 2013–2018 OFA, to the extent it has funds available from the imposition of its taxes, fees, rates, tolls, penalties, and charges and from any other revenue legally available, after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation.

The 2013–2018 OFA was terminated on August 3, 2016 when the Multiple-Year Operation Funding Agreement was executed.

Multiple-Year Operation Funding Agreement (MYOFA)

On August 3, 2016, the District entered into a MYOFA with the Developer. The District’s current financial forecast of increases in assessed valuation due to growth, and expenditures for operations and maintenance expenses (Operations Expense), the District anticipates annual shortfalls in revenues available for Operations Expenses to be incurred for fiscal year 2016 and in each fiscal year thereafter until 2032. The District shall be required to impose on a yearly basis during the term of this Agreement a mill levy of at least 10 mills, but not more than the mill levy limit in the Service Plan (“Operations Mill Levy”). for the Operations Expenses of the District. The revenue generated from the Operations Mill Levy plus specific ownership taxes generated as a result of the Operations Mill Levy shall be the “Operations Revenue.” The MYOFA provides that the Developer will advance funds to the District in an amount equal to the difference between the Assumed Annual Budget Amount, equal to the operation and maintenance budget for the following fiscal year and the Operations Revenue (the Shortfall Amount). The Assumed Annual Budget Amount for fiscal years 2016 and 2017 is estimated to be \$76,150 and \$93,860, respectively, and for fiscal years 2018 through 2021, approximately \$131,560, so that in each such year the Developer will be required to fund the difference between the Assumed Annual Budget Amount and the Operations Revenue. Starting in fiscal year 2022, the Assumed Annual Budget Amount will equal the average of the actual total amount expended by the District in its General Fund plus any budgeted operating reserves, in the previous three-year period.

If the District imposes an Operations Mill Levy of less than 10 mills, the Developer is not obligated under this Agreement to fund any difference between the Operations Revenue that would be generated from the 10 mills Operations Mill Levy plus specific ownership taxes generated as a result of the Operations Mill Levy and the revenue generated from the Operations Mill Levy actually imposed in the applicable year. Amounts advanced under the MYOFA accrue interest at 8% per annum.

# PRAIRIESTAR METROPOLITAN DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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The obligation of the Developer to advance funds under the MYOFA expires on December 31, 2056. In the event the District has not reimbursed the Developer for any Developer Advance(s) made pursuant to the MYOFA on or before December 31, 2056, any amount of principal and accrued interest outstanding on such date shall be deemed to be forever discharged and satisfied in full.

This MYOFA may be terminated after December 31, 2023 if the Operations Revenue for the two most recent consecutive years was equal to or more than the Assumed Annual Budget Amount during such two-year period.

As discussed in Note 1, on December 10, 2021, the District No. 2 Bonds were issued.

Coincident with the issuance of the District No. 2 Bonds, the District and the Developer entered into the Termination of Multiple-Year Operation Funding Agreement (the "MYOFA Termination Agreement"). The MYOFA Termination Agreement provides for the termination of the MYOFA upon District No. 2's remittance of payment of the net proceeds of the District No. 2 Bonds to the Developer. A partial payment was made on December 10, 2021, and the final payment was made on January 5, 2022. At that time, the MYOFA was terminated, and the Developer waived all rights to any outstanding balances including accrued interest. Therefore, all balances due under the MYOFA were removed from the District's liabilities at December 31, 2021.

### **Facilities Funding and Acquisition Agreement**

On December 14, 2010, with an effective date of December 8, 2010 (the "Organization Date"), the District entered into a Facilities Funding and Acquisition Agreement with the Developer ("FFAA"). The FFAA acknowledges that the Developer has expended funds for the organization of the District and, upon independent verification and approval of those expenses, provides for the reimbursement of those costs. The advances will accrue simple interest at a rate of 8.0% per annum. Advances for organizational expenses accrue interest from the Organization Date. Advances for construction related expenses accrue interest either from the organization date, the date of deposit in the District's account or the date the verified costs were incurred by the Developer. Repayments by the District to the Developer shall be first applied to accrued interest and then to principal. No payment is required until the District issues bonds.

The District and Developer entered into a First Amendment to the FFAA on August 3, 2016, in order to acknowledge that District No. 2 will issue bonds on behalf of the Districts. The Amendment to the FFAA evidences an intent to reimburse the Developer, but shall not constitute a debt or indebtedness, nor a multiple fiscal year financial obligation.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

On December 10, 2021, the District and the Developer entered into a Termination of Facilities Funding and Acquisition Agreement (the "FFAA Termination Agreement"). The terms of the FFAA Termination Agreement state the proceeds of the District No. 2 Bonds are to be used to repay in full all amounts due from the District to the Developer under the FFAA and to pay for accrued capital improvements, which District No. 2 has agreed to finance in the FFCOA (see Note 6). Pursuant to the Acknowledgement of Stipulated Amount of Payment Due and Waiver and Release, dated December 10, 2021, the Developer has stipulated and agreed to accept payment for the remaining costs due to the Developer for Verified Costs incurred under the FFAA amounting to \$16,458,021 for Verified Costs and \$4,825,461 in interest, for a total amount of \$21,283,482. District No. 2 has available to exchange \$13,645,000 in 2021B Bonds and \$4,152,522 in cash from the 2021A Bonds Project Fund ("2021A Bonds Project Fund"), for a total of \$17,797,522. The Developer has agreed to accept this amount, as payment in full for amounts due from the District and District No. 2 under the FFAA. On December 10, 2021, the District exchanged \$13,645,000 in 2021B Bonds and paid \$780,000 in cash to the Developer as partial payment for the Verified Costs and interest, respectively. The remaining cash available from the 2021A Bonds Project Fund of \$3,372,522 was paid to the Developer on January 5, 2022. On December 10, 2021, the FFAA was terminated and outstanding amount of \$3,485,960 was removed from the District's liabilities.

**Authorized Debt**

On November 2, 2010, and on May 6, 2014, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$915,600,000 at an interest rate not to exceed 18% per annum. At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<b>Amount Authorized on November 2, 2010</b>	<b>Amount Authorized on May 6, 2014</b>	<b>Authorized but Unissued at December 31, 2021</b>
Streets	\$ 38,150,000	\$ 38,150,000	\$ 76,300,000
Parks and Recreation	38,150,000	38,150,000	76,300,000
Water	38,150,000	38,150,000	76,300,000
Sanitation/Storm Sewer	38,150,000	38,150,000	76,300,000
Transportation	38,150,000	38,150,000	76,300,000
Mosquito Control	38,150,000	38,150,000	76,300,000
Traffic and Safety Protection	38,150,000	38,150,000	76,300,000
Fire Protection and EMR	38,150,000	38,150,000	76,300,000
Television Relay	38,150,000	38,150,000	76,300,000
Operations and Maintenance	38,150,000	38,150,000	76,300,000
Debt Refundings	38,150,000	38,150,000	76,300,000
Intergovernmental Agreements	38,150,000	38,150,000	76,300,000
	<u>\$ 457,800,000</u>	<u>\$ 457,800,000</u>	<u>\$ 915,600,000</u>

Per the Service Plan, the total debt issuance limitation for the Districts is \$38,150,000.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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**Note 6 – Intergovernmental Agreements**

**Intergovernmental Agreement with the Town**

On December 14, 2010, the District entered into an Intergovernmental Agreement (“Agreement”) with the Town whereby the District agreed to various restrictions and notification requirements related to areas such as District dissolution, tax or fee impositions, bond issuances, boundary expansions and service expansions.

**Memorandum of Understanding**

A Memorandum of Understanding was entered into on December 14, 2010 by and among the District, District No. 2, District No. 3 and District No. 4 (“MOU”). Under the Service Plan, the Districts are required to work together and coordinate their efforts with respect to all activities contemplated in the Service Plan including but not limited to the management and administration of the Districts, the provision of essential services by the Districts, and the financing, construction, operation and maintenance of public improvements.

The MOU acknowledges that the District shall provide for the financing, construction, design, operation and maintenance of the public improvements, as well as the overall administration of the Districts and further acknowledges that the District has the authority to enter into agreement(s) and other obligations with the Developer of the property to provide for the financing of such services. The MOU acknowledges that the Districts will enter into a Facilities, Funding, Construction and Operations Agreement detailing such services (“FFCOA”). The MOU also provides that the FFCOA shall provide for District No. 2, District No. 3 and District No. 4 to remit revenues to the District for all costs incurred by the District pursuant to the MOU based on an allocable basis to be set forth in the FFCOA.

On December 10, 2021, the MOU was terminated.

**Facilities, Funding, Construction and Operations Agreement (“FFCOA”)**

On December 9, 2014, with an effective date of December 5, 2013, the District entered into a FFCOA with PrairieStar Metropolitan District No. 2 (“District No. 2). Pursuant to the FFCOA, the District serves as the Operating District which will operate, maintain, finance and construct (including funding thereof) certain of the Public Improvements and the Taxing District will contribute to the costs of construction, operation, management and maintenance of such Public Improvements. District No. 2 serves as the Taxing District. As of the Effective Date of this Agreement, District No. 3 and District No. 4 continue to be inactive. Consistent with the terms of the MOU, the Districts intend for District No. 3 and District No. 4 to also be parties to this Agreement and therefore, at such time as District No. 3 and District No. 4 each become

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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active, this Agreement will be presented to District No. 3 and District No. 4 for consideration and they will each be given the opportunity to become a party to this Agreement, and until such time, the MOU shall continue to govern the rights and obligations with respect to District No. 3 and District No. 4.

Each Taxing District anticipates receiving revenue from the imposition of a mill levy against all property within its respective boundaries and specific ownership taxes, and, if imposed or assessed at the direction of the Operating District, the collection of fees, charges, rates and tolls. All revenue received by the Taxing District will be transferred to the Operating District.

On August 3, 2016, the FFCOA was amended and restated ("Amended FFCOA") to recognize the Taxing District's issuance of Bonds and to reflect the changed debt structure of the Districts. Pursuant to the Amended FFCOA, either of the Districts may issue bonds for the construction, acquisition, or reimbursement of costs. Each District that determines to issue Bonds hereunder the proceeds of which will be utilized for Public Improvements shall be an "Issuing District". Each Taxing District anticipates receiving revenue from the imposition of a mill levy against all property within its respective boundaries and specific ownership taxes, and, if imposed or assessed at the direction of the Operating District, the collection of fees, charges, rates and tolls. All revenue received by the Taxing District will be transferred to the Operating District. However, If the Taxing District is the Issuing District and if the Taxing District pledges its debt service mill levy, specific ownership taxes attributable to such mill levy and other revenue of the Taxing District to the repayment of the Bond Requirements related to its Bonds, the Taxing District shall not be required to transfer the Taxing District Pledged Revenue to the Operating District.

Upon District No. 3's return to active status on March 28, 2018, District No. 1, District No. 2 and District No. 3 entered into a Second Amended and Restated FFCOA, effective March 28, 2018 in order to add District No. 3 as a party.

During the year ending December 31, 2021, \$242,184 was transferred from District No. 2, representing funds received from the imposition of District No. 2's operating mill levy and other unrestricted funds.

On December 10, 2021, the Districts entered into a Termination of Facilities Funding, Construction and Operations Agreement (the "FFCOA Termination Agreement"). Therefore, the FFCOA is terminated as of the date of this Termination Agreement and is of no further force or effect as of the date of this Termination Agreement, and that that the Districts have no further obligations to each other under the FFCOA.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021**

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**PrairieStar Metropolitan District No. 2 Inclusion Agreement (“Inclusion Agreement”)**

On March 27, 2019, the District entered into an Inclusion Agreement with District No. 2 and PrairieStar, Inc. (“Owner”). The Owner owns property within the service area and intends to include approximately 32.0 acres into District No. 2 (“Inclusion Parcels”). The Inclusion Agreement was amended on February 18, 2021, with an effective date of November 19, 2020, to include an additional 1.145 acres into District No. 2. Pursuant to the Inclusion Agreement, the Owner agrees to proceed with the inclusion of the Inclusion Parcels within the boundaries of District No. 2 and to proceed with the design and construction of certain public improvements on the Inclusion Parcels, in reliance on the agreement of the District and District No. 2 that the costs incurred by the Owner will be reimbursed by the District under the terms of the FFAA from the proceeds of Bonds to be issued by District No. 2 pursuant to the FFCOA. The Owner acknowledges that upon inclusion of the Inclusion Parcels into District No. 2, such Inclusion Parcels shall be liable for payment of taxes imposed by District No. 2 to pay the obligations of District No. 2, including, but not limited to, the 2016 Bonds and all Bonds issued by District No. 2 in the future.

On April 26, 2019, the Inclusion Parcels were included within the boundaries of District No. 2 pursuant to a recorded order for inclusion. The Included Parcels and are now subject to all of the taxes and charges imposed by District No. 2 and shall be liable for its proportionate share of existing and future bonded indebtedness of District No. 2. In addition, pursuant to the Inclusion Agreement, the District will reimburse the Owner for costs incurred by the design and construction of certain public improvements.

The District’s obligations under the Inclusion Agreement were fulfilled coincident with the issuance of the District No. 2 2021 Bonds on December 10, 2021, and upon distribution of reimbursement to the Developer.

**Note 7 – Related Party**

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

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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**Note 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 natural disasters.

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 general and public officials’ liability coverage. In the event aggregate 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.

**Note 9 – Tax, Spending and Debt Limitations**

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

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.

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 and qualification as an Enterprise will require judicial interpretation.

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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On May 6, 2014, the District's electors approved the following ballot issues:

Shall PrairieStar Metropolitan District No. 1 taxes be increased \$38,150,000 annually or such lesser amount as necessary to pay the District's administration, operations, maintenance, and capital expenses, by the imposition of ad valorem property taxes levied in any year, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such taxes and any investment income thereon be collected, retained and spent by the District in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall PrairieStar Metropolitan District No. 1 taxes be increased \$38,150,000 annually or such lesser amount as necessary to pay the District's administration, operations, maintenance, and capital expenses, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2014 and in each fiscal year thereafter as a voter-approved revenue change without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Shall PrairieStar Metropolitan District No. 1 be authorized to collect, receive, retain, and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, public improvement fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law, covenants or contract to be imposed, collected or received by the District during 2014 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, received, retained and spent by the District?

**SUPPLEMENTARY INFORMATION**

**PRAIRIESTAR METROPOLITAN DISTRICT NO. 1**

**CAPITAL PROJECTS FUND**

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

**For the Year Ended December 31, 2021**

**(With Comparative Totals for the Year Ended December 31, 2020)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2020 Actual</b>
<b>Revenues</b>					
Transfer from District No. 2	\$ -	\$ 17,797,522	\$ 17,797,522		\$ -
<b>Expenditures</b>					
Capital					
Project Construction	-	1,866,626	1,866,626	-	2,875,805
Repay Developer Advance:					
Principal	-	16,458,021	16,458,021	-	-
Interest	-	1,339,501	1,339,501	-	-
<b>Total Expenditures</b>	-	19,664,148	19,664,148	-	2,875,805
<b>Excess Expenditures over Revenues</b>	-	(1,866,626)	(1,866,626)	-	(2,875,805)
<b>Other Financing Sources</b>					
Developer Advances	-	1,866,626	1,866,626	-	2,875,805
Transfers In	-	17,008	17,008	-	-
<b>Total Other Financing Sources</b>	-	1,883,634	1,883,634	-	2,875,805
<b>Net Change in Fund Balance</b>	-	17,008	17,008	-	-
<b>Fund Balance - Beginning</b>	4,744	4,744	(17,008)	(21,752)	(17,008)
<b>Fund Balance - Ending</b>	\$ 4,744	\$ 21,752	\$ -	\$ (21,752)	\$ (17,008)

See the Accompanying Independent Auditor's Report