

Northridge Estates Metropolitan District No. 1

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

Table of Contents

| | Page |
|--|------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION | 6 |
| STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE/ STATEMENT OF ACTIVITIES | 7 |
| STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 |
| SUPPLEMENTARY INFORMATION | |
| SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND | 20 |

REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Board of Directors
Northridge Estates Metropolitan District No. 1

Opinion

We have audited the accompanying financial statements of governmental activities and the governmental funds of the Northridge Estates 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 present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Northridge Estates Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position thereof, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US 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 opinion.

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 within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with US 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.

Required Supplementary Information

The Board of Directors have opted to omit the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 omitted information.

Supplementary Information

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Northridge Estates Metropolitan District No. 1 taken as a whole. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marc, James & Associates PC

Highlands Ranch, CO
November 3, 2022

FINANCIAL STATEMENTS

Northridge Estates Metropolitan District No. 1

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

| | Governmental Funds | | | Adjustments | Statement of Net Position |
|--|--------------------|-----------------------------|---------------------|-----------------------|---------------------------------|
| | General Fund | Capital Projects Fund | Total | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,387.00 | \$ 958,984.00 | \$ 961,371.00 | \$ - | \$ 961,371.00 |
| Property taxes receivable | 23,587 | - | 23,587 | - | 23,587 |
| Due from developer | 3,613 | 351,847 | 355,460 | (355,460) | - |
| Capital assets | - | - | - | 1,635,400 | 1,635,400 |
| Total assets | \$ 29,587 | \$ 1,310,831 | \$ 1,340,418 | 1,279,940 | 2,620,358 |
| LIABILITIES | | | | | |
| Accounts payable | 6,243 | 1,058,824 | 1,065,067 | - | 1,065,067 |
| Accrued liabilities | - | - | - | 364,459 | 364,459 |
| Construction retainage payable | - | 251,048 | 251,048 | - | 251,048 |
| Developer advances | - | - | - | 8,276,122 | 8,276,122 |
| Total liabilities | 6,243 | 1,309,872 | 1,316,115 | 8,640,581 | 9,956,696 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property taxes | 23,587 | - | 23,587 | - | 23,587 |
| FUND BALANCE/NET POSITION | | | | | |
| FUND BALANCE | | | | | |
| Restricted | 1,400 | 959 | 2,359 | (2,359) | - |
| Unassigned | (1,643) | - | (1,643) | 1,643 | - |
| Total fund balance (deficit) | (243) | 959 | 716 | (716) | - |
| Total liabilities, deferred inflows of resources and fund balance | \$ 29,587 | \$ 1,310,831 | \$ 1,340,418 | | |
| NET POSITION | | | | | |
| Investment in capital assets, net of related advances | | | | - | - |
| Capital projects | | | | 959 | 959 |
| Unrestricted (deficit) | | | | (7,360,884) | (7,360,884) |
| Total net position | | | | \$ (7,359,925) | \$ (7,359,925) |

The accompanying notes are an integral part of these financial statements

Northridge Estates Metropolitan District No. 1

STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2021

| | Governmental Funds | | | Adjustments | Statement of Activities |
|-------------------------------------|--------------------|-----------------------------|-------------|--------------|-------------------------------|
| | General Fund | Capital Projects Fund | Total | | |
| Expenditures/Expenses | | | | | |
| Operating | | | | | |
| Audit | \$ 6,500 | \$ - | \$ 6,500 | \$ - | \$ 6,500 |
| Architectural review | 450 | - | 450 | - | 450 |
| Bank fees | - | 290 | 290 | - | 290 |
| Insurance | 7,899 | - | 7,899 | - | 7,899 |
| Legal | 20,634 | - | 20,634 | - | 20,634 |
| Office | 1,135 | - | 1,135 | - | 1,135 |
| Management and accounting | 10,200 | - | 10,200 | - | 10,200 |
| Debt service | | | | | |
| Interest expense | - | - | - | 364,459 | 364,459 |
| Capital expenditures | | | | | |
| Repairs | - | 73,070 | 73,070 | - | 73,070 |
| Construction in process | - | 5,758,219 | 5,758,219 | (5,758,219) | - |
| Total expenditures/expenses | 46,818 | 5,831,579 | 5,878,397 | (5,393,760) | \$ 484,637 |
| Charges for services | | | | | |
| Architectural review | 450 | - | 450 | - | \$ 450 |
| Total charges for services | 450 | - | 450 | - | \$ 450 |
| Net expenditures/expenses | 46,368 | 5,831,579 | 5,877,947 | (5,393,760) | \$ 484,187 |
| General Revenue | | | | | |
| Interest | 5 | 245 | 250 | - | \$ 250 |
| Total general revenue | 5 | 245 | 250 | - | \$ 250 |
| Excess expenditures over revenue | (46,363) | (5,831,334) | (5,877,697) | 5,393,760 | \$ (483,937) |
| Other sources and uses | | | | | |
| Conveyance of capital assets | - | - | - | (6,957,972) | (6,957,972) |
| Developer advances | 43,281 | 5,831,287 | 5,874,568 | (5,874,568) | \$ - |
| Total other sources and uses | 43,281 | 5,831,287 | 5,874,568 | (12,832,540) | (6,957,972) |
| Change in Fund Balance | (3,082) | (47) | (3,129) | 3,129 | \$ - |
| Change in Net Position | - | - | - | - | \$ (7,441,909) |
| Fund balance/net position (deficit) | | | | | |
| Beginning of the year | 2,839 | 1,006 | 3,845 | 78,139 | \$ 81,984 |
| End of the year | \$ (243) | \$ 959 | \$ 716 | \$ 81,268 | \$ (7,359,925) |

The accompanying notes are an integral part of these financial statements

Northridge Estates Metropolitan District No. 1

STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2021

| | Original and Final Budget | Actual | Variance |
|--------------------------------------|---------------------------------|----------|------------|
| Revenue | | | |
| Architectural review | | \$ 450 | |
| Interest | - | 5 | 5 |
| | - | 455 | 5 |
| Total revenue | - | 455 | 5 |
| Expenditures | | | |
| Operating | | | |
| Audit | 8,800 | 6,500 | 2,300 |
| Architectural review | - | 450 | |
| Contingency | 5,500 | - | 5,500 |
| Insurance | 7,500 | 7,899 | (399) |
| Landscape and grounds | 10,000 | - | 10,000 |
| Legal | 25,000 | 20,634 | 4,366 |
| Management and accounting | 10,200 | 10,200 | - |
| Office | - | 1,135 | (1,135) |
| Utilities | 3,000 | - | 3,000 |
| | 70,000 | 46,818 | 23,632 |
| Total expenditures | 70,000 | 46,818 | 23,632 |
| Excess of expenditures over revenues | (70,000) | (46,363) | 23,637 |
| Other sources | | | |
| Developer advances | 70,000 | 43,281 | (26,719) |
| Change in Fund Balance | \$ - | (3,082) | \$ (3,082) |
| Fund Balance (Deficit) | | | |
| Beginning of the year | | 2,839 | |
| End of the year | | \$ (243) | |

The accompanying notes are an integral part of these financial statements

Northridge Estates Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Northridge Estates Metropolitan District No. 1 (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

The District was formed, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in June 2018, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed in conjunction with Northridge Estates Metropolitan District Nos. 2 and 3 (the “District’s”). Under the Consolidated Service Plan the District serves as the Operating District with all the Districts being Taxing Districts. The District is governed by a five-member Board of Directors. The District is located in Greeley, Colorado.

The Districts were formed to serve the needs of the approximately 65-acre Northridge Estates residential development being developed by Northridge Estate Partners, LLC (the “Developer”) and currently planned to consist of all single family homes. It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements in sequential order. The District will proceed with the initial construction.

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, The Reporting Entity and GASB No. 39, Determining Whether Certain Organizations are Component Units.

2. Measurement Focus and Financial Reporting Framework

Government-wide Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the *governmental-type activities* of the District, which rely to a significant extent on property and specific ownership taxes. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property and specific ownership taxes. The government-wide financial statements are prepared using the accrual basis of accounting.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

The District maintains two individual governmental funds. The governmental funds information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund and the Capital Projects Fund, both which are considered to be major funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. *Measurement Focus and Financial Reporting Framework - continued*

Governmental Funds – continued

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other assets.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, demand deposits, savings accounts and money market accounts.

4. *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents and accounts payable. The District estimates that the fair value of these financial instruments as of December 31, 2020, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP may involve the use of management estimates that could affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates would be based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

6. *Capital Assets*

The District's capital assets which consist of construction in process, primarily infrastructure, are reported in the government-wide financial statements. The District's capital assets are recorded at cost, if purchased or constructed.

The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

It is the intent of the District to convey, transfer or dedicate portions, if not all, of the completed infrastructure to the City of Greeley or other applicable local governmental entities.

Under the Consolidated Amended Service Plan, the City of Greeley may accept the conveyance of various Public Improvements from the Districts, as applicable, upon 50% build-out of the Northridge Estates development.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

7. *Property Taxes*

Property taxes are levied on December 15 of each year, and attach as an enforceable lien on subject property as of January 1 of the following year. The property taxes are payable in full on April 30 or if paid in two installments, due on February 28 and June 15. Property taxes are considered to be delinquent as of August 1. Weld County bills and collects the property taxes on behalf of the District and remits the collections, less the Treasurer's fees, to the District on a monthly basis. As of December 31, the District has recorded the levied property taxes and the related deferred inflow of resources.

As the property taxes result in an enforceable lien on the subject property, in the event the property taxes are not paid, the subject property will be sold at public auction to collect the delinquent property taxes. Accordingly, no provision is deemed necessary for uncollected property taxes.

Under the Consolidated Service Plan, the District's maximum aggregate mill levy for the payment of debt, operations and maintenance, administration or any other costs shall not exceed 60 mills subject to adjustment.

For 2021, the District did not have a property tax mill levy.

8. *Debt Authorization*

In 2018, the majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in the amount not to exceed \$299,000,000 for providing Public Improvements. However, under the Consolidated Service Plan, the Districts' total debt is limited to \$11.5 million. As of December 31, 2021, the District has \$11.5 million of authorization remaining. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. However, the amount and timing of any debt issuances, if any, are not determinable.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund and Debt Service Fund. An annual appropriated budget is adopted at the total fund expenditure level and the annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

Prior to October 15, the District's Manager submits a proposed operating budget for the subsequent fiscal year to the District's Board of Directors. The Board of Directors may change the proposed budget prior to the publication of the notice of budget. After the submission, a notice of the proposed budget is published. The operating budget includes proposed expenditures and the means of financing the expenditures.

A public hearing is held at a regular District Board of Directors' meeting to allow public input on the proposed operating budget.

Northridge Estates Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B – BUDGET INFORMATION - *continued*

On or before December 15, the operating budget is adopted by the Board of Directors through passage of a budget resolution. Upon adoption, the District’s Treasurer is authorized by the Board of Directors to transfer the budgeted amounts within the function and objects of the Fund(s). The District’s Board of Directors must approve revisions that change the total expenditures of the Fund(s). Appropriations are controlled and the budget can be only amended in accordance with the State of Colorado Revised Statutes that allows the District to amend the budget and adopt a supplemental appropriation in certain circumstances.

For 2021, the Board of Directors approved an amended Capital Projects Fund budget which increased other sources and capital expenditures.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions 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 uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits.

As of December 31, 2021, all of the District’s deposits were either insured by the FDIC or held in eligible depositories.

NOTE D – CAPITAL ASSETS

The change in the District’s capital assets for the year ended December 31, 2021 is as follows:

| | | |
|----------------------------------|----|--------------------|
| Balance – December 31, 2020 | \$ | 2,835,153 |
| Additions | | 5,758,219 |
| Conveyances to local governments | | <u>(6,957,972)</u> |
| Balance – December 31, 2021 | | <u>1,635,400</u> |

As of December 31, 2021, the District’s capital assets consisted of the following:

| | | |
|-------------------------|----|------------------|
| Storm sewers | \$ | 661,942 |
| Irrigation system | | 409,396 |
| Fencing | | 158,560 |
| Other | | 50,610 |
| Construction in process | | <u>354,892</u> |
| Total capital assets | \$ | <u>1,635,400</u> |

It is anticipated that the final development within the District will be completed in 2022 at which time the District will begin depreciating the capital assets retained by the District.

Northridge Estates Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – FUND BALANCE/NET POSITION

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

Fund Balance

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

Restricted – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the District’s Board of Directors. Committed resources cannot be used for any other purpose unless the District’s Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District’s Board of Directors or a District official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2021, the District’s fund balance consisted of the following:

| | General Fund | Capital Projects Fund | Total |
|---------------------------------|-----------------|--------------------------|--------|
| Fund balance (deficit) | | | |
| Restricted | | | |
| Capital projects | \$ - | \$ 959 | \$ 959 |
| Unassigned | (243) | - | (243) |
| Total fund balance (deficit) | \$ (243) | \$ 959 | \$ 716 |

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE E – FUND BALANCE/NET POSITION – *continued*

Net Position

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District may report three categories of net position, as follows:

Restricted net position – net position is considered restricted if its 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 positions are available, the District will use the most restrictive net position first.

NOTE F – RELATED PARTIES AND AGREEMENTS

Board of Directors

Members of the Board of Directors are affiliated with the Developer, Northridge Estates Partners, LLC.

Construction Funding Advance and Reimbursement Agreement

In July 2020 the District and the Developer entered into the Construction Funding Advance and Reimbursement Agreement (the "Construction Funding Agreement").

Whereas, the District does not have the financial resources to provide the funding for the Project; the Developer has agreed to advance funding up to the amount of the contract amount and the District has agreed to repay the Developer the advances associated with the Public Improvements

On or before the 20th day of each month, the District shall provide the Developer a funding request and the documentation required which includes an Engineer's recommendation for payment. A final advance will be made when the construction has been fully completed and the District has supplied copies of the final sworn statements and waivers of liens.

The Developer's obligations to advance funds to the District in accordance with this Agreement shall terminate on the earlier of the Advance Obligation Termination Date or final payment to the Contractor pursuant to the terms of the Construction Contract.

The District will undertake commercially reasonable efforts to issue tax-exempt or taxable bonds or notes and to generate sufficient revenue to repay to the Developer or its assignee all of the Capital Repayment Amount, subject to all conditions and limitations set forth herein and other applicable law.

The District's obligations to repay the Developer shall be governed by the terms of the Construction Funding Agreement and shall terminate 40 years from the date the Construction Funding Agreement. Any portion of the Capital Repayment Amount not paid 40 years after the date hereof shall be deemed discharged, paid and canceled.

Northridge Estates Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE F – RELATED PARTIES AND AGREEMENTS - *continued*

Operating Reimbursement Agreement

In July 2020, the District and the Developer entered in to an Operating Reimbursement Agreement.

Under the Operating Reimbursement Agreement, the Developer shall advance an amount of \$25,000 to the District to pay the District’s initial operating costs and, when such \$25,000 is depleted, the Developer, in its sole and absolute discretion, may advance funds as requested from time to time by the District to pay any future operating, maintenance, and/or administrative expenses.

If the District determines that there will be insufficient funds available to pay the District’s anticipated operating, maintenance, and/or administrative expenses for the next fiscal year, the District shall calculate the anticipated amount of such funding shortfall (the “Operating Funding Shortfall”).

The District shall submit written requests on a quarterly basis to the Developer for the amount of the Operating Funding Shortfall anticipated to be needed for the next fiscal quarter. The Developer, after reasonable verification of such Operating Funding Shortfall, may, in its sole and absolute discretion, make an Operating Advance and fund the Operating Funding Shortfall for the next fiscal quarter after such request from the District. To the extent any Operating Advance is not spent by the District in the fiscal quarter for which it was requested, the unspent amount of the Operating Advance shall be applied to reduce any Operating Funding Shortfall anticipated for the subsequent fiscal quarter.

If and to the extent the District has legally available revenue which is not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any fiscal year, the District will, from such available sources, reimburse the Developer for all Operating Advances, together with simple interest thereon at a fixed rate of 8.5% per annum (the “Operating Reimbursement Amount”) commencing as of the date of each Operating Advance.

The term of this Agreement shall end on the date that the Operating Reimbursement Amount has been paid in full to the Developer in accordance with the terms hereof or 40 years after the date hereof, whichever date occurs first in time. Any portion of the Operating Reimbursement Amount not paid 40 years after the date hereof shall be deemed discharged paid and canceled.

Change in Developer Advances

The following is an analysis of changes in the actual developer advances as of December 31, 2021:

| | Balance December 31, 2020 | Borrowings | Payments | Balance December 31, 2021 |
|-----------------------|---------------------------------|--------------|----------|---------------------------------|
| General fund | \$ 24,000 | \$ 39,668 | \$ - | \$ 63,668 |
| Capital Projects Fund | 500,535 | 7,711,919 | - | 8,212,454 |
| Total | \$ 524,535 | \$ 7,751,587 | \$ - | \$ 8,276,122 |

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE G – 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 and debt limitations which apply to the State of Colorado and all local governments.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the calculation of the fiscal year spending limits will require judicial interpretation.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God for which the District carries commercial insurance. The District’s claims, if any, have not exceeded its coverage during the preceding three years.

NOTE I – COMMITMENTS

District Management

The District outsources the management of the District which includes overall management, accounting and administrative services. The service contract renews annually each year on January 1, unless notice of non-renewal is provided by either party as described in the service contract.

Construction Contract

The District has entered into construction contracts for the development of the District with essentially one construction contractor. As of December 31, 2021, approximately \$1.9 million remained on the construction contracts for Phase 1, Phase 2 and Phase 3 of the development.

NOTE J – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

The spread of COVID-19 and its variants has altered the behavior of individuals and businesses in a manner that has had significant impacts on global, national, and local economies. Accordingly, state and local governments, including the State of Colorado, announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders. The COVID-19 measures are changing rapidly and in 2022, many restrictions are being relaxed or eliminated.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Northridge Estates Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE K – RECONCILIATION OF GOVERNMENTAL FUND AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column which reconciles the differences between the fund financial statements and government-wide as follows:

| | | |
|--|----|-----------|
| Liabilities such as the developer advances are not due and payable in the current period and, therefore, are not reflected in the governmental funds, | \$ | 8,276,122 |
| Accrued interest payable is recognized in the Statement of Net Position, | | 364,459 |
| As of December 31, 2021, there was advance due from the Developer, reflected in the General Fund and the Capital Projects Fund which was eliminated in the Statement of Net Position to reflect the actual amount of developer advances, | | 355,460 |
| The District's remaining capital expenditures are reflected as capital assets in the Statement of Net Position. | | 1,635,400 |

The Statements of Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Statement of Activities include an adjustments column which reconciles the differences between the government-wide and fund financial statements as follows:

| | | |
|---|----|-----------|
| The developer advances, actual and accrued, are reflected as other sources in the governmental funds; however, the actual and the accrued developer advances are not reflected as revenue in the Statement of Activities and are eliminated, | \$ | 5,874,568 |
| The District's capital expenditures are not considered to be resources of the District in the governmental funds and are reflected as expenditures. However, the capital expenditures are eliminated in the Statement of Activities and are capitalized in the Statement of Net Position, | | 5,758,219 |
| As discussed above, Interest expense is recognized as incurred in the Statement of Activities, | | 364,459 |
| As discussed above, capital expenditures are capitalized in the Statement of Net Assets and as the capital assets are conveyed to other governments, the conveyances are reflected as expenditures in the Statement of Activities. | | 6,957,972 |

Northridge Estates Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE L – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with US GAAP requires District management to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through November 3, 2022, which is the date that the financial statements and accompanying notes were available for issuance.

- In January 2022, the Districts for the purpose of assisting in the financing of public improvements in the Districts’ service area, the Districts entered into a Capital Pledge Agreement, pursuant to which the Districts have agreed to impose a mill levy on all taxable property within each District,
- In January 2022, the District approved a construction contract for Phase 3 in the amount \$2,800,000,
- In May 2022, Northridge Estates Metropolitan District No. 3 issued directly to Front Range Securities, LLC, an entity affiliated with the Developer, Limited Tax General Obligations Bonds, Series 2022, in the aggregate principal amount of \$10,900,000 to repay the amounts under the Construction Funding Agreement.

SUPPLEMENTARY INFORMATION

Northridge Estates Metropolitan District No. 1

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year ended December 31, 2021

| | Original Budget | Amended and Final Budget | Actual | Variance |
|----------------------------------|--------------------|--------------------------------|------------------|--------------------|
| Revenue | | | | |
| Interest | \$ - | \$ - | \$ 245 | \$ 245 |
| Expenditures | | | | |
| Adminsitration | 2,000 | 2,000 | 290 | 1,710 |
| Capital expenditures | | | | |
| Repairs | - | - | 73,070 | (73,070) |
| Construction in process | 2,000,000 | 8,000,000 | 5,758,219 | 2,241,781 |
| Total expenditures | <u>2,002,000</u> | <u>8,002,000</u> | <u>5,831,579</u> | <u>2,170,421</u> |
| Excess expenditures over revenue | 2,002,000 | 8,002,000 | (5,831,334) | 2,170,666 |
| Other sources | | | | |
| Developer advances | <u>2,002,000</u> | <u>8,002,000</u> | <u>5,831,287</u> | <u>(2,170,713)</u> |
| Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | (47) | <u>\$ (47)</u> |
| Fund Balance | | | | |
| Beginning of the year | | | <u>1,006</u> | |
| End of the year | | | <u>\$ 959</u> | |