

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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Board of Directors
North Pine Vistas Metropolitan District No. 1
Douglas County, Colorado

Independent Auditor's Report

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North Pine Vistas Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplemental Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplemental Information

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

Wipfli LLP

Wipfli LLP
Lakewood, Colorado

September 30, 2022

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	Capital <u>Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS					
Cash	\$ 66,646	\$ -	\$ 66,646	\$ -	\$ 66,646
Cash - restricted	2,040	-	2,040	-	2,040
Receivable from District 2	15,763	7,437	23,200	-	23,200
Prepaid expenses	5,030	-	5,030	-	5,030
Receivable developer	125,479	-	125,479	(125,479)	-
Receivable from District 3	-	21,247	21,247	-	21,247
Capital assets not being depreciated	-	-	-	36,146,905	36,146,905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 214,958</u>	<u>\$ 28,684</u>	<u>\$ 243,642</u>	<u>36,021,426</u>	<u>36,265,068</u>
LIABILITIES					
Accounts payable	\$ 166,247	\$ -	\$ 166,247	-	166,247
Payable to District 3	48,711	-	48,711	-	48,711
Long-term liabilities:					
Due in more than one year	-	-	-	17,593,819	17,593,819
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>214,958</u>	<u>-</u>	<u>214,958</u>	<u>17,593,819</u>	<u>17,808,777</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepays	5,030	-	5,030	(5,030)	-
Restricted:					
Emergencies	2,040	-	2,040	(2,040)	-
Capital projects	-	28,684	28,684	(28,684)	-
Unassigned	(7,070)	-	(7,070)	7,070	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>-</u>	<u>28,684</u>	<u>28,684</u>	<u>(28,684)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 214,958</u>	<u>\$ 28,684</u>	<u>\$ 243,642</u>		
Net Position:					
Net investment in capital assets				18,553,086	18,553,086
Restricted for:					
Emergencies				2,040	2,040
Capital projects				28,684	28,684
Unrestricted				(127,519)	(127,519)
				<u> </u>	<u> </u>
Total Net Position				<u>\$ 18,456,291</u>	<u>\$ 18,456,291</u>

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

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

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Accounting and audit	\$ 28,004	\$ -	\$ 28,004	\$ -	\$ 28,004
Insurance	8,824	-	8,824	-	8,824
Legal	76,798	-	76,798	-	76,798
Operations expenses	237,902	-	237,902	-	237,902
Miscellaneous expenses	8,574	-	8,574	-	8,574
Directors Fees	2,700	-	2,700	-	2,700
Capital improvements	-	677,894	677,894	(677,894)	-
Repay developer advances - principal	-	2,438,161	2,438,161	(2,438,161)	-
Repay developer advances - interest	-	5,812,071	5,812,071	(4,290,294)	1,521,777
Total Expenditures	<u>362,802</u>	<u>8,928,126</u>	<u>9,290,928</u>	<u>(7,406,349)</u>	<u>1,884,579</u>
GENERAL REVENUES					
Transfer from District 2	74,957	-	74,957	-	74,957
Transfer from District 3	287,615	8,781,729	9,069,344	-	9,069,344
Miscellaneous income	230	-	230	-	230
Total General Revenues	<u>362,802</u>	<u>8,781,729</u>	<u>9,144,531</u>	<u>-</u>	<u>9,144,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	-	(146,397)	(146,397)	7,406,349	7,259,952
OTHER FINANCING SOURCES					
Developer advances	-	175,081	175,081	(175,081)	-
Total Other Financing Sources	<u>-</u>	<u>175,081</u>	<u>175,081</u>	<u>(175,081)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES					
	-	28,684	28,684	(28,684)	
CHANGE IN NET POSITION					
				7,259,952	7,259,952
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,196,339</u>	<u>11,196,339</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 28,684</u>	<u>\$ 28,684</u>	<u>\$ 18,427,607</u>	<u>\$ 18,456,291</u>

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District 2	\$ 73,632	\$ 74,957	\$ 1,325
Transfer from District 3	224,929	287,615	62,686
Interest income	1,000	-	(1,000)
Miscellaneous income	<u>172,500</u>	<u>230</u>	<u>(172,270)</u>
Total Revenues	<u>472,061</u>	<u>362,802</u>	<u>(109,259)</u>
EXPENDITURES			
Accounting and audit	22,000	28,004	(6,004)
Insurance	6,000	8,824	(2,824)
Legal	30,000	76,798	(46,798)
Operations expenses	404,400	237,902	166,498
Miscellaneous expenses	2,000	8,574	(6,574)
Directors fees	1,800	2,700	(900)
Contingency	4,007	-	4,007
Emergency reserve	<u>1,854</u>	<u>-</u>	<u>1,854</u>
Total Expenditures	<u>472,061</u>	<u>362,802</u>	<u>109,259</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the North Pine Vistas Metropolitan District No. 1 (“the District”), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized as a quasi-municipal organization established under the State of Colorado Special District Act and the creation of the District was approved by the eligible electors of the District voting at an election held on November 1, 2011. The District was established for the primary purpose of funding, constructing, owning and operating certain public infrastructure and assisting in the coordination of metropolitan district services and facilities to support the needs of a primarily residential development known as “Lagae Ranch” located in the City of Castle Pines (the “City”) and Douglas County (the “County”). The District was organized concurrently with North Pine Vistas Metropolitan District No. 2 (“District No. 2”) and North Pine Vistas Metropolitan District No. 3 (“District No. 3”). The Service Plan states that District No. 1 is responsible for constructing, owning and operating the majority of the public services and facilities for the Development, while District No. 2 and District No. 3 are responsible for funding and assisting in the coordination of metropolitan district services and facilities related to the Lagae Ranch Development.

The District’s main source of revenue is the annual revenue received from District Nos. 2 and 3 as reimbursement for actual service costs and construction costs. These revenues are based on funding through property tax and fee revenue under the Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement (see Note 5).

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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

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

Basis of Presentation

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

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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

The District reports the following major governmental funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

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 minimum number of bank accounts. 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.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. No depreciation expense was recognized during 2021.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Long-Term Obligations

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

Fund Equity

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

Nonspendable Fund Balance

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

The nonspendable fund balance in the General Fund in the amount of \$5,030 represents prepaid expenditures.

Restricted Fund Balance

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

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$2,040 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$28,684 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

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

Assigned Fund Balance

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

Unassigned Fund Balance

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

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

Net Position

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

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

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

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

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

Note 2: Cash

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

Statement of Net Position:	
Cash	\$66,646
Cash - Restricted	<u>2,040</u>
Total	<u>\$68,686</u>

Cash as of December 31, 2021, consists of the following:

Deposits with financial institutions	<u>\$68,686</u>
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NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

As of December 31, 2021, the District had no investments.

Note 3: Capital Assets

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

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 35,469,011	\$ 677,894	\$ -	\$ 36,146,905
Total capital assets not being depreciated	<u>35,469,011</u>	<u>677,894</u>	<u>-</u>	<u>36,146,905</u>
Government type assets, net	<u>\$ 35,469,011</u>	<u>\$ 677,894</u>	<u>\$ -</u>	<u>\$ 36,146,905</u>

Upon completion, acceptance and the applicable warranty period, a majority of the completed capital assets will be conveyed by the District , the City, the County, the owners association or other appropriate entities for ongoing ownership, operations and maintenance. The District will not be responsible for maintenance.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2021, is as follows:

Facilities Funding and Acquisition Agreement

On May 31, 2013, the District entered into a Facilities Funding and Acquisition Agreement with R.I. Management of Tulsa, Inc. (“RIM”) whereby RIM agreed to either construct certain public improvements, which would then be acquired by the District, or initially fund the construction and installation of such improvements by the District. Per this agreement the District agreed to reimburse RIM for the advances plus interest at 8%. This agreement extends through December 31, 2025. At December 31, 2021, the amount outstanding under this agreement was \$17,306,760 including principal of \$17,092,055 and interest of \$268,705.

Operation Funding Agreement

On May 31, 2013, the District entered into an Operation Funding Agreement with RIM pursuant to which RIM agrees to pay to the District amounts sufficient to cover the shortfall in revenues available for operations and maintenance expenses for the District through December 31, 2025. Amounts advanced will be repaid with interest at 8%.. At December 31, 2021, the amount outstanding under this agreement was \$57,977 including principal of \$38,028 and interest of \$19,949.

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

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
Developer advance - Capital	\$19,145,703	\$ 559,595	\$ 2,438,161	\$17,267,137	\$ -
Developer advance - Operations	38,028	-	-	38,028	-
Accrued interest - Capital	4,562,041	1,518,735	5,812,071	268,705	-
Accrued interest - Operations	16,907	3,042	-	19,949	-
Total	<u>\$23,762,679</u>	<u>\$ 2,081,372</u>	<u>\$ 8,250,232</u>	<u>\$17,593,819</u>	<u>\$ -</u>

Note 5: Other Agreements

Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement

On June 2, 2016, the District and Districts Nos. 2 and 3 entered into an Intergovernmental Agreement Concerning District Operations and Outstanding Reimbursement. In this agreement, District No. 2 and District No. 3 engage District No. 1 to perform administrative functions and to be the operator of any of the public improvements which are owned by any of the Districts and have not been conveyed to other entities. Districts Nos. 2 and 3 are required to provide funds to District No. 1 sufficient to pay for these functions.

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Intergovernmental Agreement

On November 1, 2012 (amended in 2014 and 2016), the District, Districts Nos. 2 and 3, and the City entered into an Intergovernmental Agreement that states that the public improvements to be financed by the Districts shall be dedicated to the City, or other governmental entity, and prohibits the Districts from owning or operating water and sanitation improvements unless Castle Pines North Metropolitan District no longer provides such services. The agreement also requires City approval to any inclusions of property or consolidations, limits the amount of debt issued by all Districts to \$35,000,000, requires City approval prior to condemnations, imposes a mill levy limitation consistent with the Service Plan and imposes a maximum mill levy imposition term consistent with the Service Plan.

Development and Reimbursement Agreement

On August 15, 2014, Lennar Colorado, LLC (“Lennar”) and RIM entered into a Development and Reimbursement Agreement. On April 14, 2016, RIM assigned its interest in this agreement to the District. Pursuant to this agreement, RIM agreed to cause certain public improvements to be constructed on certain lots owned by Lennar. Pursuant to the Assignment, the District assumed RIM’s responsibility for the construction of the improvements, including RIM’s obligation to construct improvements pursuant to a Subdivision Improvement Agreement dated November 28, 2008 between RIM and the City, and pursuant to an Inclusion Agreement dated December 19, 2007 between RIM and Castle Pines North Metropolitan District.

Intergovernmental Agreement Concerning Annual Contribution for Right-of-Way and Storm Sewer Maintenance

On October 11, 2016, the District, Districts Nos. 2 and 3, and the City entered into an Intergovernmental Agreement Concerning Annual Contribution for Right-of-Way and Storm Sewer Maintenance. The City required the Districts to enter into this agreement in order to ensure that the Districts assist the City with defraying the operation and maintenance costs associated with certain landscaping and certain storm sewer and drainage improvements. The agreement required the District to make annual contributions derived from a mill levy of 5 mills imposed on taxable property within the District, commencing on January 1 of the year following the year in which the City accepts the related Lagae Road for ownership and maintenance. The contribution obligation terminates on the earlier of 15 years from the commencement date or December 31, 2035, whichever first occurs. The 5 Mill Levy was first certified in 2016 for collection in 2017 on both District Nos. 2 and 3.

Note 6: Related Party

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2021

Note 7: Tax, Spending and Debt Limitations

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

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

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

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

On November 1, 2011, a majority of the District’s electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

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

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

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2021

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

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

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.

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

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

NORTH PINE VISTAS METROPOLITAN DISTRICT NO. 1

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District 2	\$ 3,500,000	\$ -	\$ (3,500,000)
Transfer from District 3	<u>8,500,000</u>	<u>8,781,729</u>	<u>281,729</u>
Total Revenues	<u>12,000,000</u>	<u>8,781,729</u>	<u>(3,218,271)</u>
EXPENDITURES			
Capital improvements	12,115,000	677,894	11,437,106
Repay developer advances - principal	-	2,438,161	(2,438,161)
Repay developer advances - interest	<u>-</u>	<u>5,812,071</u>	<u>(5,812,071)</u>
Total Expenditures	<u>12,115,000</u>	<u>8,928,126</u>	<u>3,186,874</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(115,000)	(146,397)	(31,397)
OTHER FINANCING SOURCES			
Developer advances	<u>115,000</u>	<u>175,081</u>	<u>60,081</u>
Total Other Financing Sources	<u>115,000</u>	<u>175,081</u>	<u>60,081</u>
NET CHANGE IN FUND BALANCE	-	28,684	28,684
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 28,684</u>	<u>\$ 28,684</u>

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