

**Lupton Village Commercial Metropolitan District
Weld County, Colorado**

**Financial Statements and
Independent Auditors' Report
December 31, 2023**



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1221 W. Mineral Avenue, Suite 202
Littleton, CO 80120

 303-734-4800

 303-795-3356

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lupton Village Commercial Metropolitan District
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Lupton Village Commercial Metropolitan District as of and for the year ended December 31, 2023, 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 the major fund of Lupton Village Commercial Metropolitan District, as of December 31, 2023, and the respective change 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 Lupton Village Commercial Metropolitan 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Lupton Village Commercial Metropolitan 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 a 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 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.

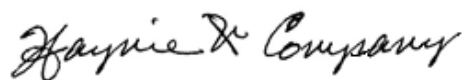
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Lupton Village Commercial Metropolitan 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 Lupton Village Commercial Metropolitan 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 the management 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.



Littleton, Colorado

May 24, 2024

BASIC FINANCIAL STATEMENTS

Lupton Village Commercial Metropolitan District
Statement of Net Position
December 31, 2023

Assets	<u>Governmental Activities</u>
Cash and investments	\$ 18,837
Accounts receivable	1,718
Property taxes receivable	622,494
Prepaid expenses	2,671
Note receivable - Lupton Village Residential Metropolitan District	1,120,856
Total assets	<u>1,766,576</u>
Liabilities	
Accounts payable	13,397
Accrued interest	594
Non-current liabilities	
Due in more than one year	<u>65,932</u>
Total liabilities	<u>79,923</u>
Deferred Inflows of Resources	
Deferred property tax revenue	<u>622,494</u>
Total deferred inflows of resources	<u>622,494</u>
Net Position	
Restricted for:	
Emergency	6,313
Unrestricted	<u>1,057,846</u>
Total Net Position	<u>1,064,159</u>
Total Liabilities, deferred inflows of resources and Net Position	<u>\$ 1,766,576</u>

The accompanying notes are an integral part of these financial statements.

**Lupton Village Commercial Metropolitan District
Statement of Activities
December 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and other fees	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 210,444	\$ -	\$ -	\$ -	\$ (210,444)
Interest and related costs on long term debt	594	-	-	-	(594)
	<u>\$ 211,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(211,038)</u>
General revenues:					
Property taxes					560,993
Specific ownership taxes					23,964
Interest income					22,274
Intergovernmental Revenue					1,120,856
Other revenues					102
Total general revenues					<u>1,728,189</u>
Transfer to Lupton Village Residential Metropolitan District					(1,380,932)
Change in net position					136,219
Net position - beginning of year					927,940
Net position - end of year					<u>\$ 1,064,159</u>

The accompanying notes are an integral part of these financial statements.

Lupton Village Commercial Metropolitan District
Governmental Fund Balance Sheet
and Reconciliation of Fund Balance to Net Position
December 31, 2023

Assets	General Fund
Cash and Equivalents	\$ 18,837
Accounts receivable	1,718
Property taxes receivable	622,494
Prepaid expenses	<u>2,671</u>
Total assets	<u>\$ 645,720</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances	
Liabilities	
Accounts payable	<u>13,397</u>
Total liabilities	<u>13,397</u>
Deferred Inflows of Resources	
Deferred property tax revenue	<u>622,494</u>
Total deferred inflows of resources	<u>622,494</u>
Fund Balances	
Nonspendable	2,671
Restricted:	
Emergency reserves	6,313
Unassigned	<u>845</u>
Total Fund Balance	<u>9,829</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 645,720</u></u>
Total governmental fund balance per above	\$ 9,829

Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:

Long-term receivables not collectible in the current year and long-term liabilities not payable in the current year are excluded in the governmental funds. These consist of:

Note receivable	1,120,856
Developer advances	(65,932)
Accrued interest	<u>(594)</u>
Net position of governmental activities	<u>\$ 1,064,159</u>

The accompanying notes are an integral part of these financial statements.

Lupton Village Commercial Metropolitan District
Governmental Fund Revenues, Expenditures
and Change in Fund Balance
For the Year Ended December 31, 2023

	General
Revenues	
Property Taxes	\$ 560,993
Specific Ownership Taxes	23,964
Interest Revenue	22,274
Miscellaneous Income	102
Total Revenues	607,333
Expenditures	
Intergovernmental Fees	65,714
Treasurer's Fees	8,415
Legal	47,939
Audit & Tax Prep	11,500
Insurance	2,571
Management & Accounting Services	17,658
SDA Dues	913
Engineering	24,327
Water - Non-Potable	29,773
Snow Removal	1,433
Bank Fees	190
Postage	9
Printing	2
Total Expenditures	210,444
Excess of revenues over (under) expenditures	396,889
Other financing sources (uses)	
Developer Advance	65,932
Transfer to Lupton Village Residential Metropolitan District	(1,380,932)
Total other financing sources (uses)	(1,315,000)
Net change in fund balances	(918,111)
Fund balances:	
Beginning of the year	927,940
End of the year	\$ 9,829

The accompanying notes are an integral part of these financial statements.

Lupton Village Commercial Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2023

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

Net change in fund balance—total governmental fund	\$ (918,111)
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Long-term debt provides current financial resources to governmental funds, but are not reported as current financial resources in the statement of activities and long-term receivables do not provide current financial resources to the governmental funds but are reported as current financial resources in the statement of activities.

Intergovernmental revenue	1,120,856
Developer advances	(65,932)
Accrued interest on developer advances - change in liability	<u>(594)</u>

Change in net position of governmental activities	<u>\$ 136,219</u>
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The accompanying notes are an integral part of these financial statements.

Lupton Village Commercial Metropolitan District
Statement of Revenue, Expenditures
and Change in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Property Taxes	\$ 563,497	\$ 563,497	\$ 560,993	\$ (2,504)
Specific Ownership Taxes	33,810	25,357	23,964	(1,393)
Interest Income	-	23,000	22,274	(726)
Miescellaneous	-	-	102	102
Total Revenues	<u>597,307</u>	<u>611,854</u>	<u>607,333</u>	<u>(4,521)</u>
Expenditures				
Intergovernmental Fees	110,000	65,714	65,714	-
Treasurer's Fees	8,452	8,452	8,415	37
Legal	25,000	47,939	47,939	-
Audit & Tax Prep	7,500	11,500	11,500	-
Election	2,500	-	-	-
Insurance	2,130	2,048	2,571	(523)
Management & Accounting Services	10,500	17,658	17,658	-
SDA Dues	1,493	1,436	913	523
Office	200	-	-	-
Contingency	35,000	5,000	-	5,000
Engineering	-	24,327	24,327	-
Water - Non-Potable	-	29,773	29,773	-
Snow Removal	-	1,433	1,433	-
Bank Fees	-	190	190	-
Postage	-	9	9	-
Printing	-	2	2	-
Total Expenditures	<u>202,775</u>	<u>215,481</u>	<u>210,444</u>	<u>5,037</u>
Excess Revenues Over (Under)				
Expenditures	<u>394,532</u>	<u>396,373</u>	<u>396,889</u>	<u>516</u>
Other financing sources (uses)				
Transfer to Lupton Village Residential Metropolitan Distric	(1,000,000)	(1,380,932)	(1,380,932)	-
Developer advances	-	65,932	65,932	-
Total other financing sources (uses)	<u>(1,000,000)</u>	<u>(1,315,000)</u>	<u>(1,315,000)</u>	<u>-</u>
Net change in fund balances	(605,468)	(918,627)	(918,111)	516
Fund Balance—Beginning of year	<u>874,019</u>	<u>927,940</u>	<u>927,940</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ 268,551</u>	<u>\$ 9,313</u>	<u>\$ 9,829</u>	<u>\$ 516</u>

The accompanying notes are an integral part of these financial statements.

Lupton Village Commercial Metropolitan District

Notes to Financial Statements

December 31, 2023

1. Definition of Reporting Entity

Lupton Village Commercial Metropolitan District (the District), a quasi-municipal corporation, was organized in 2006 as Cottonwood Greens Metropolitan District No. 4. The District formerly changed its name to Lupton Village Commercial Metropolitan District on November 12, 2019. The District is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the City of Fort Lupton, Weld County, Colorado. The District was established to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of the public improvements in the most economic manner possible.

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.

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

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

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

The statement of net position (deficit) reports all financial and capital resources of the District. The difference between the assets and liabilities of the District is reported as net position (deficit).

Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

The statement of activities demonstrates the degree to which the direct 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 the governmental funds. Major individual governmental funds are reported as separate columns in the 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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'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 presented on the modified accrual basis of accounting unless otherwise indicated.

Property Taxes

Property taxes are levied by the District 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 for 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 revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected.

Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column 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. Such assets are recorded in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The District does not currently report any capital assets.

Receivables

The note receivable consists of amounts due from Lupton Village Residential Metropolitan District under the Series 2023A Subordinate Note issued to the District by the Residential District under the terms of the Capital Advance IGA and revised by the Global Settlement and Release Agreement, both discussed in Note 5 below.

Fund Equity

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.

Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

- *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.
- *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 policy to use the most restrictive classification first.

3. Cash and Investments

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2023, the District's cash deposits with Colotrust and Chase have a carrying balance and bank balance of \$18,837, which is FDIC insured.

**Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023**

4. Long-Term Liabilities

Developer Advances

Advance and Reimbursement Agreement

In February 2020, the District entered into an Advance and Reimbursement Agreement with FTL Land Assemblage, LLLP, a Colorado Limited liability partnership (the Developer), pursuant to which the Developer agreed to advance funds in one or more installments. Under the agreement, the funds are to be used for operation and maintenance costs. Outstanding amounts due under the agreement shall accrue simple interest at a rate of seven percent (7%) per annum. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. The District's obligation to reimburse the Developer under the agreement is not a multiple fiscal year obligation. Payments by the District shall be applied first to interest on, then to principal of the advances in chronological order to their effective date. The reimbursement obligation is subordinate to any bonded indebtedness of the District. The agreement shall continue until fully performed or terminated by mutual agreement of the Parties.

The following is an analysis of changes in Developer Advances for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Developer advances					
Operational advances	\$ -	\$ 35,000	\$ -	\$ 35,000	\$ -
Capital advances	-	30,932	-	30,932	-
	\$ -	\$ 65,932	\$ -	\$ 65,932	\$ -

The Amended and Restated Service Plan, dated December 31, 2019, limits the issuance of debt to \$9,369,550.

5. Agreements

Intergovernmental Agreement Regarding Shared Costs

On May 21, 2021, the District entered into an Intergovernmental Agreement with Lupton Village Residential Metropolitan District setting forth the terms upon which the Districts will

Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023

5. Agreements (continued)

pay for certain public improvements that are shared by or constructed for the benefit of both Districts.

The Districts acknowledge and agree that certain public infrastructure within the Development are intended to benefit the property owners, taxpayers and service users of both Districts, including without limitation the streets, traffic and safety facilities, storm drainage, water and sewer facilities and other public infrastructure to be constructed along South Rollie Avenue, Reynolds Street, South Denver Avenue and Weld County Road 12. Subject to approval by a majority of the Board of Directors of the relevant District and the availability of funds, either District may pay for or reimburse all or a portion of the costs for such shared public improvements. The Districts may agree to jointly fund all or portions of the shared public improvements, provided that any such joint funding be approved by way of a joint resolution approved by both Districts' Boards of Directors. Any such payments or reimbursements by a District shall not be considered a loan by that District to the other and neither District is obligated to re-pay or reimburse the other for the cost of any shared public improvements. It is the intention of the Districts to fund the shared public improvements in amounts that approximately equate to the acreage in each District as a percentage of the total acreage in the Development. Subject to the availability of funds and approval by its Board of Directors, each District agrees to use reasonable efforts to pay or re-pay its proportionate share of the cost of the shared public improvements. The agreement does not obligate either District to pay for any public improvements and remains in effect until terminated. Either District may terminate the agreement by providing no less thirty days written notice to the other District.

Expenditures in the current year under this agreement are identified as Intergovernmental Fees on the Statement of Revenues, Expenditures, and Change in Fund Balance.

Intergovernmental Agreement Regarding Reimbursement of Capital Advances

On March 28, 2023, the District entered into an intergovernmental agreement (the "Capital Advance IGA") with Lupton Village Residential Metropolitan District regarding the reimbursement of capital advances. Under the agreement, the District agrees to appropriate from time to time any available funds, as determined by the Board of Directors, to reimburse all or portions of certain developer advances made to the Residential District for public improvements. The District is not required to reimburse such developer advances, but any advances that are reimbursed are added to a "fill-up note" (the "Series 2023A Subordinate Note") issued to the District by the Residential District under the terms of the Capital Advance IGA.

Global Settlement and Release Agreement

On December 26, 2023, the District signed an intergovernmental agreement (the "Global Settlement and Release Agreement") with the Residential Metropolitan District, FTL Land

**Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023**

5. Agreements (continued)

Assemblage, LLLP (“FTL”), and Lupton Village Land Developers, LLC (LVLD). The District agrees to pay \$250,000 (the “Settlement Payment”) to the Residential District in two separate payments as follows: (1) a first payment of \$75,000 within five business days following the full and complete execution of the Agreement by all Parties (which was January 6, 2024); and (2) a second payment of \$175,000 no later than June 1, 2024.

The Residential District and the Commercial District will continue to operate and engage in all activities lawfully permitted under the Colorado Special District Act, including without limitation the collection of ad valorem property taxes.

The Developer Agreements and the Cost Sharing IGA were terminated in their entirety and prior performances by any of them under these Agreements were final and accepted by each of them, their subsidiaries, and assigns.

The final balance of the “Series 2023A Subordinate Note mentioned above, according to this agreement is \$1,120,856 and is reflected as a Note Receivable on the Statement of Net Position. The Residential District shall not be obligated to make any note payments that, in the aggregate, exceed \$1,120,856 and any and all such sums due under the note will not be due and payable until the Residential District’s General Obligation Limited Tax Bonds, Series 2021(3) have been paid off, and during such time period the Note shall accrue interest at zero percent (0%).

6. Net Position

The District has net position consisting of two components –restricted and unrestricted.

Restricted assets include the net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District had restricted net position as of December 31, 2023 as follows:

Restricted net position:

Emergency Reserves (see Note 8)	\$ <u>6,313</u>
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The District’s unrestricted net position as of December 31, 2023 is \$3,516.

Lupton Village Commercial Metropolitan District
Notes to Financial Statements (continued)
December 31, 2023

7. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2023. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

8. 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.

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.

9. Related Parties

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. District management believes that all potential conflicts, if any, have been properly disclosed.