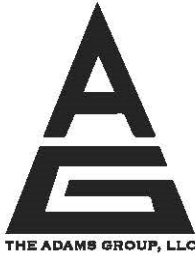


INDEPENDENCE METROPOLITAN DISTRICT NO. 1
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Independence Metropolitan District No. 1
Elbert County, Colorado

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independence Metropolitan District No. 1 as of December 31, 2021, and the respective changes in financial position and the budgetary comparison schedule 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independence Metropolitan District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Independence Metropolitan District No. 1'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.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Independence Metropolitan District No. 1'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 Independence Metropolitan District No. 1'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's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independence Metropolitan District No. 1's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Adams Group, LLC

July 25, 2022
Denver, CO

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
Assets	
Property taxes receivable	\$ 118,061
Accounts receivable	46,518
Prepaid items	2,533
Capital assets, net of accumulated depreciation	14,966,170
Total assets	15,133,282
Liabilities	
Accounts payable	41,980
Accrued interest	25,087
Developer advances	199,300
Total liabilities	266,367
Deferred Inflows Of Resources	
Unavailable revenue - property taxes	118,061
Total deferred inflows of resources	118,061
Net Position	
Restricted for emergencies	386
Unrestricted	14,748,468
Total net position	\$ 14,748,854

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities					
General government	\$ 1,364,617	\$ -	\$ -	\$ 1,199,043	\$ (165,574)
Interest and fiscal charges	12,692	-	-	-	(12,692)
Total Governmental Activities	\$ 1,377,309	\$ -	\$ -	\$ 1,199,043	(178,266)
General Revenues:					
Property taxes					38,154
Specific ownership taxes					6,733
Intergovernmental					8,894
Interest income					198
Total General Revenues					53,979
Change in Net Position					(124,287)
Net Position - Beginning					14,873,141
Net Position - Ending					\$ 14,748,854

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Property taxes receivable	\$ 18,163	\$ -	\$ 99,898	\$ 118,061
Accounts receivable	-	-	46,518	46,518
Prepaid items	2,533	-	-	2,533
Due from other funds	-	-	9,500	9,500
Total assets	<u>\$ 20,696</u>	<u>\$ -</u>	<u>\$ 155,916</u>	<u>\$ 176,612</u>
Liabilities				
Accounts payable	\$ 9,221	\$ -	\$ 32,759	\$ 41,980
Due to other funds	9,500	-	-	9,500
Total liabilities	<u>18,721</u>	<u>-</u>	<u>32,759</u>	<u>51,480</u>
Deferred Inflows Of Resources				
Unavailable revenue - property taxes	18,163	-	99,898	118,061
Total deferred inflows of resources	<u>18,163</u>	<u>-</u>	<u>99,898</u>	<u>118,061</u>
Fund Balance				
Nonspendable:				
Prepaid items	2,533	-	-	2,533
Restricted:				
Emergencies	386	-	-	386
Debt service	-	-	23,259	23,259
Unassigned	(19,107)	-	-	(19,107)
Total fund balances	<u>(16,188)</u>	<u>-</u>	<u>23,259</u>	<u>7,071</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,696</u>	<u>\$ -</u>	<u>\$ 155,916</u>	<u>\$ 176,612</u>

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

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

Fund balance of Governmental funds	\$ 7,071
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	14,966,170
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Developer advances	(199,300)
Accrued interest	<u>(25,087)</u>
Net Position of Governmental Activities	<u>\$ 14,748,854</u>

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 5,945	\$ -	\$ 32,209	\$ 38,154
System development fees	-	-	1,199,043	1,199,043
Specific ownership taxes	961	-	5,772	6,733
Intergovernmental	-	8,894	-	8,894
Interest income	30	-	168	198
Total revenues	<u>6,936</u>	<u>8,894</u>	<u>1,237,192</u>	<u>1,253,022</u>
Expenditures				
Current:				
Audit	5,525	-	-	5,525
Dues and subscriptions	548	-	-	548
Engineering	2,475	-	-	2,475
Insurance and bonds	3,033	-	-	3,033
Legal	44,226	-	-	44,226
Management & accounting	19,218	-	-	19,218
Treasurer fees	177	-	971	1,148
Intergovernmental	-	-	1,279,733	1,279,733
Capital outlay:				
Engineering	-	8,894	-	8,894
Repayment to developer	-	1,058,528	-	1,058,528
Total expenditures	<u>75,202</u>	<u>1,067,422</u>	<u>1,280,704</u>	<u>2,423,328</u>
Other Financing Sources (Uses)				
Developer advances	54,300	-	-	54,300
Total other financing sources (uses)	<u>54,300</u>	<u>-</u>	<u>-</u>	<u>54,300</u>
Net change in fund balances	(13,966)	(1,058,528)	(43,512)	(1,116,006)
Fund balances, beginning of year	<u>(2,222)</u>	<u>1,058,528</u>	<u>66,771</u>	<u>1,123,077</u>
Fund balances, end of year	<u>\$ (16,188)</u>	<u>\$ -</u>	<u>\$ 23,259</u>	<u>\$ 7,071</u>

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVNEUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

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

Net change in fund balances - Total governmental funds	\$ (1,116,006)
--	----------------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,069,897
Depreciation expense	(11,186)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. This amount is the effect of these differences in the treatment of long term debt and related items:

Developer advances	(54,300)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental funds.

Change in accrued interest payable	<u>(12,692)</u>
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Change in Net Position of Governmental Activities	<u>\$ (124,287)</u>
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INDEPENDENCE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 5,856	\$ 5,945	\$ 5,945	\$ -
Specific ownership taxes	350	961	961	-
Interest income	-	30	30	-
Total revenues	<u>6,206</u>	<u>6,936</u>	<u>6,936</u>	<u>-</u>
Expenditures				
Current:				
Audit	5,500	5,525	5,525	-
Engineering	-	2,475	2,475	-
Dues and subscriptions	600	548	548	-
Information technology	300	-	-	-
Insurance	3,100	3,033	3,033	-
Legal	12,000	44,226	44,226	-
Management and accounting	12,000	19,218	19,218	-
Treasurer Fees	180	177	177	-
Website	200	-	-	-
Emergency reserve	1,500	-	-	-
Total expenditures	<u>35,380</u>	<u>75,202</u>	<u>75,202</u>	<u>-</u>
Excess of revenues over (under) expenditures	(29,174)	(68,266)	(68,266)	-
Other Financing Sources				
Developer advances	<u>30,000</u>	<u>54,300</u>	<u>54,300</u>	<u>-</u>
Net change in fund balance	<u>\$ 826</u>	<u>\$ (13,966)</u>	(13,966)	<u>\$ -</u>
Fund balances, beginning of year			<u>(2,222)</u>	
Fund balances, end of year			<u>\$ (16,188)</u>	

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - DEFINITION OF REPORTING ENTITY

Independence Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado was established on November 7, 2017 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located within the County of Elbert, Colorado.

The District was established principally to provide streets, traffic and safety controls, street lighting, water, sanitary sewer, storm drainage, landscaping, parks and recreation, and mosquito control to areas within and without the boundaries of the District.

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

The District's 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 of the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) include all of the activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. These financial statements include all of the activities of the primary government. The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District is reported as net position.

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider has been met. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances are recorded as a reduction in liabilities.

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 major sources of revenue susceptible to accrual are property taxes, capital fees and interest. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

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 other funds.

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The *Capital Projects Fund* accounts for the acquisition and construction of the District's major capital facilities and assets.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal, interest, and related expenses on the long-term developer advances of the governmental funds.

Budgets

In accordance with the State Budget Law, the District's Board of Directors hold 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 on its basis of accounting.

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

Pooled Cash

The District follows the practice of pooling cash of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account.

Property Tax

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year for which they are levied, in most instances in the year in which collection occurs.

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

Accounts Receivable

Accounts receivable are stated net of an estimated allowance for doubtful accounts. Management believes all accounts are collectible and, therefore, an allowance for doubtful accounts has not been recorded as of December 31, 2021.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, water and wastewater improvements), are reported in the government-wide financial statements. The total costs of constructing improvements have been capitalized on the statement of net position. Such assets are recorded at acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Constructed capital assets which have not yet been completed are recorded as construction in progress. Capital assets of the District are depreciated using the straight-line method over the following estimated economic useful lives. Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of net position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balances-Governmental Funds

Net position is reported in the governmental activities and is classified as restricted, unrestricted, or net investment in capital assets. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. Net investment in capital assets includes the value of capital assets. As of December 31, 2021, fund balances of governmental funds are classified as follows:

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances-Governmental Funds (Continued)

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory, prepaids or developer advances) or is legally or contractually required to be maintained intact. As of December 31, 2021, the District had \$2,533 in nonspendable fund balance.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. As of December 31, 2021, the District had \$23,259 in restricted fund balance.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. As of December 31, 2021, the District had no committed fund balance.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority. As of December 31, 2021, the District had no assigned fund balance.

Unassigned fund balance – amounts that are available for any purpose.

The District reports a deficit balance in the General Fund of (\$16,188) as of December 31, 2021.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, then finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

As of December 31, 2021, the District's cash deposits had a bank balance of \$271,474, and a carrying balance of \$0.

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

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 the reporting of the uninsured deposits and assets maintained in the collateral pools.

Credit Risk

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

The District generally limits its concentration of investments which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk.

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

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - CAPITAL ASSETS

The following is an analysis of changes in capital assets for the year ended December 31, 2021.

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Governmental Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 13,841,969	\$ 1,069,897	\$ -	\$ 14,911,866
Capital assets, being depreciated:				
Vehicles and equipment	78,302	-	-	78,302
Less accumulated depreciation				
Vehicles and equipment	(12,812)	(11,186)	-	(23,998)
Total capital assets, being depreciated, net	65,490	(11,186)	-	54,304
Capital Assets, net	<u>\$ 13,907,459</u>	<u>\$ 1,058,711</u>	<u>\$ -</u>	<u>\$ 14,966,170</u>

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21	Due Within One Year
Developer Advances	\$ 145,000	\$ 54,300	\$ -	\$ 199,300	\$ -
Interest on Developer Advances	12,395	12,692	-	25,087	-
	<u>\$ 157,395</u>	<u>\$ 66,992</u>	<u>\$ -</u>	<u>\$ 224,387</u>	<u>\$ -</u>

Developer Advances

The District entered into an Advance and Reimbursement Agreement to repay advances made by the Developer for advances made to the District. The District agreed to repay the Developer for such advances plus accrued interest at the rate of the higher of 7% or prime plus 2%. The interest rate was 7% as of December 31, 2021.

Senior Pledge Agreement

In March 2019, Independence Metropolitan District No. 3 issued Series 2019A Bonds in the aggregate principal amount of \$25,795,000 and Series 2019B Bonds in the aggregate principal amount of \$4,230,000. In order to provide for the payment of the 2019A and 2019B Bonds, Independence Metropolitan District No. 3 entered into a Senior Pledge Agreement with Independence District No. 1 and Independence Metropolitan District No. 2. Pursuant to the Senior Pledge Agreement, each district will service the 2019A and 2019B Bonds with revenues derived from senior property taxes, senior specific ownership taxes, senior system development fees, and capital fees. The amount of debt to be serviced by each district is uncertain and a significant management estimate. During the year ended December 31, 2021, the District paid Independence Metropolitan District No. 3 a total of \$1,279,733 for debt service related payments. This is recorded in the debt service fund as an intergovernmental expenditure.

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 7, 2017, a majority of qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$295,520,000 to fund the development. As of December 31, 2021, the District had authorized and issued indebtedness from the election in the following amounts:

	<u>Authorized</u>	<u>Remaining</u>
Voter debt authorization limit	\$ 295,520,000	\$ 265,411,200

NOTE 6 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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). 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, public officials' liability and workers compensation 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.

NOTE 7 - 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, except those governmental activities designated as Enterprises.

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.

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

On November 7, 2017, the District's voters passed an election question authorized the retention of all revenues received from any source during the 2017 budget year and each budget year thereafter that are in excess of the revenue and fiscal year spending limits that would otherwise apply under Article X, Section 20 of the Colorado Constitution or any other law.

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.

NOTE 8 – RELATED PARTIES

The District is one of six districts in the development and board members serve on all districts. The developer of the infrastructure which constitutes the District is Craft Bandera Acquisition Company, LLC and Craft Companies, LLC. The members of the Board of Directors are employed, owners of, or consultants of the developer.

During the year ended December 31, 2021, the District acquired capital assets totaling \$1,058,528 from the Developer.

During the year ended December 31, 2021, the District received advances from the Developer totaling \$54,300. As of December 31, 2021, the District owed the Developer \$199,300 of outstanding principal and accrued interest of \$25,087.

During the year ended December 31, 2021, the District received \$8,894 transferred from Independence Metropolitan District No. 3 which is included in intergovernmental revenue in the accompanying statement of revenues, expenditures, and changes in fund balances.

SUPPLEMENTARY INFORMATION

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 230,000	\$ 8,894	\$ 8,894	\$ -
Total revenues	<u>230,000</u>	<u>8,894</u>	<u>8,894</u>	<u>-</u>
Expenditures				
Cost certification	5,160	-	-	-
Engineering	25,000	8,894	8,894	-
Legal	20,000	-	-	-
Capital outlay	<u>200,000</u>	<u>1,058,528</u>	<u>1,058,528</u>	<u>-</u>
Total expenditures	<u>250,160</u>	<u>1,067,422</u>	<u>1,067,422</u>	<u>-</u>
Net change in fund balance	<u>\$ (20,160)</u>	<u>\$ (1,058,528)</u>	<u>(1,058,528)</u>	<u>\$ -</u>
Fund balances, beginning of year			<u>1,058,528</u>	
Fund balances, end of year			<u>\$ -</u>	

See Independent Auditors' Report

INDEPENDENCE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 32,208	\$ 32,209	\$ 32,209	\$ -
Specific ownership tax	1,932	5,772	5,772	-
System development fees	581,475	1,199,043	1,199,043	-
Interest income	-	168	168	-
Total revenues	<u>615,615</u>	<u>1,237,192</u>	<u>1,237,192</u>	<u>-</u>
Expenditures				
Treasurer fees	1,000	971	971	-
Intergovernmental	<u>614,615</u>	<u>1,279,733</u>	<u>1,279,733</u>	<u>-</u>
Total expenditures	<u>615,615</u>	<u>1,280,704</u>	<u>1,280,704</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (43,512)</u>	(43,512)	<u>\$ -</u>
Fund balances, beginning of year			<u>66,771</u>	
Fund balances, end of year			<u>\$ 23,259</u>	

See Independent Auditors' Report