

**MEADOWBROOK CROSSING
METROPOLITAN DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Meadowbrook Crossing Metropolitan District
El Paso County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Meadowbrook Crossing Metropolitan District ("District") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the changes in its 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 24, 2020

BASIC FINANCIAL STATEMENTS

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 113,346
Accounts Receivable	18,181
Receivable from County Treasurer	271
Property Taxes Receivable	86,294
Prepaid Expenses	2,775
Capital Assets, Not Being Depreciated	2,829,696
Capital Assets, Being Depreciated	264,829
Total Assets	3,315,392
LIABILITIES	
Accounts Payable	26,968
Noncurrent Liabilities	
Due in More Than One Year	3,550,361
Total Liabilities	3,577,329
DEFERRED INFLOWS OF RESOURCES	
Unearned Revenue	2,625
Property Tax Revenue	86,294
Total Deferred Inflows of Resources	88,919
NET POSITION	
Net Investment in Capital Assets	(45,013)
Restricted For:	
Emergency Reserves	4,200
Debt Service	34,381
Unrestricted	(344,424)
Total Net Position	\$ (350,856)

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General Government	\$ 132,059	\$ 133,292	\$ -	\$ -	\$ 1,233
Interest on Long-Term Debt and Related Costs	224,860	-	-	-	(224,860)
Total Government Activities	\$ 356,919	\$ 133,292	\$ -	\$ -	(223,627)
 GENERAL REVENUES					
Property Taxes					24,845
Specific Ownership Taxes					3,008
Net Investment Income					169
Total General Revenues					28,022
 CHANGE IN NET POSITION					
Net Position - Beginning of Year					(155,251)
 NET POSITION - END OF YEAR					
					\$ (350,856)

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments - Restricted	\$ 79,191	\$ 34,155	\$ 113,346
Accounts Receivable	18,181	-	18,181
Receivable from County Treasurer	45	226	271
Property Tax receivable	14,382	71,912	86,294
Prepaid expense	2,775	-	2,775
	<u>\$ 114,574</u>	<u>\$ 106,293</u>	<u>\$ 220,867</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 26,968	\$ -	\$ 26,968
Total Liabilities	<u>26,968</u>	<u>-</u>	<u>26,968</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	14,382	71,912	86,294
Unearned Revenue	2,625	-	2,625
Total Deferred Inflows of Resources	<u>17,007</u>	<u>71,912</u>	<u>88,919</u>
FUND BALANCES			
Nonspendable:			
Prepaid Expenses	2,775	-	2,775
Restricted For:			
Emergencies (TABOR)	4,200	-	4,200
Debt Service	-	34,381	34,381
Committed to:			
Maintenance	85,337	-	85,337
Unassigned	(21,713)	-	(21,713)
Total Fund Balances	<u>70,599</u>	<u>34,381</u>	<u>104,980</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 114,574</u>	<u>\$ 106,293</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital Assets, Not Being Depreciated	2,829,696
Capital Assets, Net	264,829

Long-term liabilities, including Developer advance payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(3,330,850)
Developer Advances Payable	(203,193)
Accrued Interest Payable - Developer Advances	(16,318)

Net Position of Governmental Activities	<u>\$ (350,856)</u>
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See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 4,141	\$ 20,704	\$ 24,845
Specific Ownership Taxes	501	2,507	3,008
Interest Income	28	141	169
Design Review Fees	280	-	280
Maintenance Fees	12,262	-	12,262
Impact Fees	120,750	-	120,750
Total Revenues	<u>137,962</u>	<u>23,352</u>	<u>161,314</u>
EXPENDITURES			
Current:			
Accounting	28,567	-	28,567
Auditing	3,100	-	3,100
County Treasurer's Fees	63	313	376
Directors' Fees	1,600	-	1,600
Dues and Subscriptions	363	-	363
Insurance and Bonds	1,939	-	1,939
District Management	24,550	-	24,550
Legal Services	9,022	-	9,022
Miscellaneous	578	-	578
Payroll Taxes	199	-	199
Debt Service:			
Paying agent fees	-	3,500	3,500
Maintenance:			
Billing services	7,853	-	7,853
Covenant enforcement	6,656	-	6,656
Miscellaneous	88	-	88
Landscaping	14,365	-	14,365
Electricity	249	-	249
Snow removal	848	-	848
Trash	3,030	-	3,030
Water	14,865	-	14,865
Total Expenditures	<u>117,935</u>	<u>3,813</u>	<u>121,748</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,027	19,539	39,566
OTHER FINANCING SOURCES			
Developer Advances	64,000	-	64,000
Total Other Financing Sources	<u>64,000</u>	<u>-</u>	<u>64,000</u>
NET CHANGE IN FUND BALANCES	84,027	19,539	103,566
Fund Balances - Beginning of Year	<u>(13,428)</u>	<u>14,842</u>	<u>1,414</u>
FUND BALANCES - END OF YEAR	<u>\$ 70,599</u>	<u>\$ 34,381</u>	<u>\$ 104,980</u>

See accompanying Notes to Basic Financial Statements.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$	103,566
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Capital outlay, the conveyance of capital assets to other governments and depreciation expense in the current period are as follows:

Depreciation Expense		(14,124)
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The issuance of long-term debt (e.g., bonds, leases, and the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advances		(64,000)
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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 governmental funds.

Accrued Interest on Developer Advances - Change in Liability		(13,998)
Accreted Interest Payable - Change in Liability		(207,049)

Change in Net Position of Governmental Activities	\$	<u>(195,605)</u>
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**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 4,141	\$ 4,141	\$ 4,141	\$ -
Specific Ownership Taxes	497	497	501	4
Interest Income	-	-	28	28
Design Review Fees	-	300	280	(20)
Maintenance Fees	-	13,000	12,262	(738)
Impact Fees	-	120,750	120,750	-
Total Revenues	4,638	138,688	137,962	(726)
EXPENDITURES				
Current:				
Accounting	20,000	20,000	28,567	(8,567)
Auditing	5,000	5,000	3,100	1,900
Billing Servies	-	8,000	7,853	147
Covenant Enforcement	-	7,000	6,656	344
County Treasurer Fee's	62	62	63	(1)
Director's Fees	-	-	1,600	(1,600)
Dues and Subscriptions	300	300	363	(63)
Inurance and Bonds	2,500	2,500	1,939	561
District Management	14,000	14,000	24,550	(10,550)
Legal Services	10,000	10,000	9,022	978
Miscellaneous	5,000	5,000	578	4,422
Payroll Taxes	-	-	199	(199)
Landscaping	25,000	25,000	14,365	10,635
Utilities	20,000	20,000	249	19,751
Snow Removal	10,000	10,000	848	9,152
Trash	-	10,000	3,030	6,970
Water	-	20,000	14,865	5,135
Contingency	5,138	5,138	88	5,050
Total Expenditures	117,000	162,000	117,935	44,065
EXCESS OF REVENUES OVER EXPENDITURES				
	(112,362)	(23,312)	20,027	43,339
OTHER FINANCING SOURCES				
Developer Advance	112,562	112,562	64,000	(48,562)
Total Other Financing Sources	112,562	112,562	64,000	(48,562)
NET CHANGE IN FUND BALANCE				
	200	89,250	84,027	(5,223)
Fund Balance - Beginning of Year	-	-	(13,428)	(13,428)
FUND BALANCE - END OF YEAR				
	\$ 200	\$ 89,250	\$ 70,599	\$ (18,651)

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

Meadowbrook Crossing Metropolitan District (the District), a quasi-municipal corporation, a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the County of El Paso County, Colorado on November 23, 2016, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by the County of El Paso on August 11, 2016, and as Amended on August 24, 2017. The District's service area is located entirely within El Paso County, Colorado.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including streets, transportation, drainage improvements, traffic and safety controls, park and recreation facilities, water, sewer, television relay and translators and mosquito and pest control services.

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 government entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 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 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.

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. 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.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other financing uses 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 unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2019.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes net of estimated uncollectible taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenues are recorded as revenue in the year they are available or collected.

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 or business-type 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress, and are not being depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District, are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expenses have been computed using the straight-line method over the estimated economic useful lives:

Parks and Recreation	20 Years
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Impact Fees

The District assesses and charges an impact fee to builders and homeowners to finance the cost of public infrastructure and the operations and maintenance of drainage facilities, public areas, trash removal, and covenant enforcement. The impact fees apply as follows: a) a one-time builder fee of up to two thousand five hundred dollars (\$2,500) per platted single family residential lot, b) a one-time homeowner impact fee of one thousand seven hundred and fifty dollars (\$1,750) per single family residential unit, c) a quarterly fee of up to one hundred and twenty five dollars (\$125) per single family residential unit, and d) a one-time commercial fee to be assessed at time of permit.

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Accordingly, the items, *deferred property tax revenue and unearned revenue*, are both deferred and recognized as an inflows of resources in the period that the amounts becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

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

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 113,346
Total	<u>\$ 113,346</u>

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	<u>\$ 113,346</u>
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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 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.

At December 31, 2019, the District's cash deposits had a bank balance of \$103,640 and carrying balance of \$113,346.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

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

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2019, the District had no investments.

NOTE 4 CAPITAL ASSETS

The following is an analysis of the changes in the District's capital assets for the year ended December 31, 2019:

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets, Not Being Depreciated:				
Construction in Progress/ Not Yet Conveyed	\$ 2,829,696	\$ -	\$ -	\$ 2,829,696
Total Capital Assets, Not Being Depreciated	2,829,696	-	-	2,829,696
Capital Assets, Being Depreciated:				
Parks and Recreation	282,484	-		282,484
Total Capital Assets, Being Depreciated	282,484	-	-	282,484
Less Accumulated Depreciation For:				
Parks and Recreation	(3,531)	(14,124)	-	(17,655)
Total Accumulated Depreciation	(3,531)	(14,124)	-	(17,655)
Total Capital Assets, Being Depreciated, Net	278,953	(14,124)	-	264,829
Governmental Activities Capital Assets, Net	<u>\$ 3,108,649</u>	<u>\$ (14,124)</u>	<u>\$ -</u>	<u>\$ 3,094,525</u>

Depreciation expenses was charged for the functions/programs of the primary government as follows:

General Government	<u><u>\$ 14,124</u></u>
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**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Retirements	Balance at December 31, 2019	Due Within One Year
Notes/Bonds from Direct					
Borrowings and Direct Placements					
Developer Advances - Operating	\$ 56,459	\$ 64,000	\$ -	\$ 120,459	\$ -
Accrued Interest					
on Developer Advances-Operating	833	7,379	-	8,212	-
Developer Advances - Capital	82,734	-	-	82,734	-
Accrued Interest					
on Developer Advances - Capital	1,487	6,619	-	8,106	-
Bonds Payable - Accreted Value	3,123,801	207,049	-	3,330,850	-
	<u>\$ 3,265,314</u>	<u>\$ 285,047</u>	<u>\$ -</u>	<u>\$ 3,550,361</u>	<u>\$ -</u>

\$3,097,728 General Obligation Limited Tax Capital Appreciation Bonds, Series 2018

On October 10, 2018, the District issued \$3,097,728 in Series 2018 General Obligation Limited Tax Capital Appreciation Bonds (Series 2018 Bonds). The proceeds from the Series 2018 Bonds were used to reimburse Meadowbrook Developer LLC (the Developer) for amounts due under the Reimbursement Agreement (See Note 9). The Series 2018 Bonds are structured as a capital appreciation instrument of the District and are secured and payable from Pledged Revenues. Interest on the Series 2018 Bonds is a rate of 6% which will accrue from the date of issuance to December 1, 2021, during which time interest accruing on this Bond will compound on each June 1 and December 1 at the rate borne by this Bond. Such interest shall constitute appreciated principal of this Bond. The Series 2018 Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part in any amount during the Accretion Period, on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal redeemed.

The Bonds are secured by and payable from the Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Bonds are also secured by amounts held by the Trustee in the Reserve Fund(s). Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due and payable and to make up any deficiencies in the Reserve Fund. The maximum Required Mill Levy is 50.000, adjusted for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2019, the adjusted maximum mill levy is 51.436 mills. For collection year 2019, the District levied 50.000 mills.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**\$3,097,728 General Obligation Limited Tax Capital Appreciation Bonds, Series 2018
(Continued)**

Remedies on Occurrence of Event of Default

Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

- (i) Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments constituting Pledged Revenue at the time held by, or payable or deliverable under the provisions of the Indenture to, the Trustee.
- (ii) Suit for Judgement: The Trustee may proceed to protect and enforce its rights of the Owners under the Act, the Bonds, the Bond Resolution, the Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.
- (iii) Mandamus or Other Suit: The Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce the rights of the Owners.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

The Series 2018 Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	223,800	223,800
2023	-	223,800	223,800
2024	-	223,800	223,800
2025-2029	335,000	1,082,700	1,417,700
2030-2034	530,000	960,300	1,490,300
2035-2039	800,000	771,000	1,571,000
2040-2044	1,150,000	491,400	1,641,400
2045-2047	915,000	112,200	1,027,200
Total	<u>\$ 3,730,000</u>	<u>\$ 4,089,000</u>	<u>\$ 7,819,000</u>

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 8, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$70,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2019, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized December 6 2016 Election	Authorization Used Series 2018 Bonds	Authorized But Unissued
Water	\$ 10,000,000	\$ 635,256	\$ 9,364,744
Street	10,000,000	1,288,070	8,711,930
Sanitation	10,000,000	1,424,346	8,575,654
Parks and Recreation	10,000,000	372,692	9,627,308
Mosquito Control	10,000,000	-	10,000,000
Safety Protection	10,000,000	9,636	9,990,364
Debt Refunding	10,000,000	-	10,000,000
Total	<u>\$ 70,000,000</u>	<u>\$ 3,730,000</u>	<u>\$ 66,270,000</u>

As set forth in the District's 2017 Service Plan, the County has limited the amount of debt to be issued by the District to a total of \$10,000,000 without future approval by the County. The District may levy up to 50.000 mills for debt service and up to 10.000 mills for general operations and administrative expenses, subject to the Gallagher Adjustment.

Developer Advances

On August 30, 2017, the District entered into a Reimbursement Agreement (Agreement) with Meadowbrook Development LLC (Developer) wherein the District agrees to reimburse the Developer for advances made on behalf of the District.

As of December 31, 2019, outstanding advances under the Agreement totaled \$120,459 for operations costs, with accrued interest of \$8,212 and \$82,734 for capital costs with accrued interest of \$8,106.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 NET POSITION

The District has net position consisting of three components – net investments in capital interests, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 264,829
Noncurrent Portion of Long-Term Obligations	(309,842)
Net Investment in Capital Assets	\$ (45,013)

The restricted component of net position consists of assets that are 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, 2019, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 4,200
Debt Service	34,381
Total Restricted Net Position	\$ 38,581

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of Developer advances received for operations and bonds issued for public improvements, which a majority of which are anticipated to be conveyed to other governmental entities and which costs will be removed from the District's financial records.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Meadowbrook Development LLC. The members of the Board of Directors are officers of, employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 AGREEMENTS

Reimbursement Agreement

The District entered into a Reimbursement Agreement (Agreement) on August 30, 2017 with Meadowbrook Development, LLC (the Company) whereby the District agrees to reimburse the Company for the costs and expenses of the District organization and any shortfalls in operations and maintenance expenses. The District agrees to repay the Company along with accrued interest at a rate of set forth as paid on the initial bond offering from the date of advance.

NOTE 10 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). 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 property 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.

The District continues to carry commercial insurance coverage for other risks of loss including workers compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 TAX, SPENDING AND DEBT LIMITATIONS

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

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

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 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. As of December 31, 2019, the District had provided for but did not fully fund an Emergency Reserve, which may be a violation of the Constitutional Amendment.

On November 8, 2016, a majority of the District's electors passed an election question to increase the property taxes \$750,000 annually to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, retain, and spend all revenues without regard to any limitations under TABOR.

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 12 SUBSEQUENT EVENT

The District anticipates refunding the Series 2018 General Obligation Limited Tax Capital Appreciation Bonds with the Series 2020 General Obligation Refunding Bonds.

SUPPLEMENTARY INFORMATION

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 20,704	\$ 20,704	\$ -
Specific Ownership Taxes	2,484	2,507	23
Interest Income	-	141	141
Total Revenues	<u>23,188</u>	<u>23,352</u>	<u>164</u>
EXPENDITURES			
County Treasurer Fee's	311	313	(2)
Paying Agent Fees	5,500	3,500	2,000
Contingency	1,189	-	1,189
Total Expenditures	<u>7,000</u>	<u>3,813</u>	<u>3,187</u>
NET CHANGE IN FUND BALANCE	16,188	19,539	3,351
Fund Balance - Beginning of Year	<u>14,293</u>	<u>14,842</u>	<u>549</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 30,481</u></u>	<u><u>\$ 34,381</u></u>	<u><u>\$ 3,900</u></u>

OTHER INFORMATION

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2019**

\$3,730,000 (At Full Accretion) General Obligation Limited
Tax Capital Appreciation Bonds, Series 2018
Dated October 10, 2018
Interest rate 6.00%
Principal Due December 1
Interest Payable June 1 and December 1

Year Ended December 31,	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	223,800	223,800
2023	-	223,800	223,800
2024	-	223,800	223,800
2025	55,000	223,800	278,800
2026	60,000	220,500	280,500
2027	65,000	216,900	281,900
2028	75,000	213,000	288,000
2029	80,000	208,500	288,500
2030	90,000	203,700	293,700
2031	95,000	198,300	293,300
2032	105,000	192,600	297,600
2033	115,000	186,300	301,300
2034	125,000	179,400	304,400
2035	135,000	171,900	306,900
2036	150,000	163,800	313,800
2037	155,000	154,800	309,800
2038	175,000	145,500	320,500
2039	185,000	135,000	320,000
2040	200,000	123,900	323,900
2041	210,000	111,900	321,900
2042	230,000	99,300	329,300
2043	245,000	85,500	330,500
2044	265,000	70,800	335,800
2045	285,000	54,900	339,900
2046	305,000	37,800	342,800
2047	325,000	19,500	344,500
	<u>\$ 3,730,000</u>	<u>\$ 4,089,000</u>	<u>\$ 7,819,000</u>

**MEADOWBROOK CROSSING METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2019**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	<u>Total Property Taxes</u>		Percent Collected to Levied
			<u>Levied</u>	<u>Collected</u>	
2018	\$ 259,530	60.000	\$ 15,571	\$ 15,571	100.00 %
2019	414,080	60.000	24,845	24,845	100.00
Estimated for the Year Ending December 31, 2020	\$ 1,398,090	61.723	\$ 86,294		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.