

**Muegge Farms Metropolitan
District No. 1**

Annual Financial Report

December 31, 2022




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Report of Independent Certified Public Accountants

To the Board of Directors
Muegge Farms Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Muegge Farms Metropolitan District No. 1 as of and for the year ended December 31, 2022, 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 funds of Muegge Farms Metropolitan District No. 1, as of December 31, 2022, and the respective changes 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 Muegge Farms 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 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 Muegge Farms Metropolitan District No. 1's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 Muegge Farms 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 Muegge Farms 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 opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muegge Farms Metropolitan District No. 1's financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Haynie & Company

Littleton, Colorado
July 25, 2023

Basic Financial Statements

Muegge Farms Metropolitan District No. 1
Statement of Net Position
December 31, 2022

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Cash and investments - unrestricted | \$ 55,644 |
| Cash and investments - restricted | 1,894,405 |
| Receivable - County Treasurer | 1 |
| Property taxes receivable | 248 |
| Prepaid expenses | 3,023 |
| Capital Assets, Not Being Depreciated | 8,737,425 |
| Total assets | 10,690,746 |
| Liabilities | |
| Accounts payable | 1,035,221 |
| Accrued interest payable | 741,764 |
| Long-term liabilities: | |
| Due in more than one year | 9,682,000 |
| Total liabilities | 11,458,985 |
| Deferred Inflows of Resources | |
| Deferred property taxes | 248 |
| Total deferred inflows of resources | 248 |
| Net Position | |
| Restricted for: | |
| Emergencies | 1,542 |
| Debt service | 14 |
| Capital projects | 894,392 |
| Unrestricted | (1,664,435) |
| Total Net Position | (768,487) |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 10,690,746 |

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

Muegge Farms Metropolitan District No. 1

Statement of Activities

For the Year Ended December 31, 2022

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net |
|--|----------------------|------------------------------------|----------------------------------|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 109,937 | \$ - | \$ 550,000 | \$ 440,063 |
| Interest and related costs on long term debt | 495,675 | - | - | (495,675) |
| | <u>605,612</u> | <u>-</u> | <u>550,000</u> | <u>(55,612)</u> |
| General revenues: | | | | |
| Property taxes | | | | 215 |
| Specific ownership taxes | | | | 17 |
| Investment income | | | | 109,394 |
| Total general revenues and transfers | | | | <u>109,626</u> |
| Change in net position | | | | 54,014 |
| Net position - beginning of year | | | | (822,501) |
| Net position - end of year | | | | <u>\$ (768,487)</u> |

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

Muegge Farms Metropolitan District No. 1
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2022

| | General Fund | Debt Service Fund | Capital Projects | Total |
|---|------------------|----------------------|---------------------|---------------------|
| Assets | | | | |
| Cash and investments - unrestricted | \$ 55,644 | \$ - | \$ - | \$ 55,644 |
| Cash and investments - restricted | - | 13 | 1,894,392 | 1,894,405 |
| Receivable - County Treasurer | - | 1 | - | 1 |
| Prepaid expenses | 3,023 | - | - | 3,023 |
| Property taxes receivable | 45 | 203 | - | 248 |
| Total assets | 58,712 | 217 | 1,894,392 | \$ 1,953,321 |
| Liabilities | | | | |
| Accounts payable | 35,221 | - | 1,000,000 | 1,035,221 |
| Total liabilities | 35,221 | - | 1,000,000 | 1,035,221 |
| Deferred Inflows of Resources | | | | |
| Deferred property taxes | 45 | 203 | - | 248 |
| Total liabilities | 45 | 203 | - | 248 |
| Fund Balances | | | | |
| Non-spendable | 3,023 | - | - | 3,023 |
| Restricted for emergencies | 1,542 | - | - | 1,542 |
| Assigned for debt service | - | 14 | - | 14 |
| Restricted for capital projects | - | - | 894,392 | 894,392 |
| Unassigned | 18,881 | - | - | 18,881 |
| Total Fund Balances | 23,446 | 14 | 894,392 | 917,852 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 58,712 | \$ 217 | \$ 1,894,392 | \$ 1,953,321 |

Total governmental fund balance per above \$ 917,852

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

Capital assets are reported as assets in the statement of net position but are recorded as expenditures in the funds.

Capital Assets, Not Being Depreciated 8,737,425

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Bonds payable (9,525,000)
Developer advances payable (157,000)
Accrued interest payable (741,764)

Net position of governmental activities \$ (768,487)

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

Muegge Farms Metropolitan District No. 1
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2022

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|------------------|-------------------------|-----------------------------|-------------------|
| Revenues: | | | | |
| Property taxes | \$ 38 | \$ 177 | \$ - | \$ 215 |
| Specific ownership taxes | 3 | 14 | - | 17 |
| Net investment income | - | 2 | 109,392 | 109,394 |
| Total General Revenues | <u>41</u> | <u>193</u> | <u>109,392</u> | <u>109,626</u> |
| Expenses: | | | | |
| General government | | | | |
| Accounting, admin management and audit | 29,271 | - | 11,911 | 41,182 |
| Treasurer's fees | 1 | 3 | - | 4 |
| Insurance | 4,463 | - | - | 4,463 |
| Legal and professional fees | 15,450 | - | 10,998 | 26,448 |
| Capital outlay | - | - | 8,737,425 | 8,737,425 |
| Other expenses | 2,201 | - | 35,639 | 37,840 |
| Debt service | | | | |
| Interest | - | 176 | - | 176 |
| Total Expenditures | <u>51,386</u> | <u>179</u> | <u>8,795,973</u> | <u>8,847,538</u> |
| Excess (Deficiency) of Revenues over expenditures | (51,345) | 14 | (8,686,581) | (8,737,912) |
| Other financing sources/uses: | | | | |
| Intergovernmental contributions | - | - | 550,000 | 550,000 |
| Developer advances | <u>108,000</u> | - | - | <u>108,000</u> |
| Total other financings sources/uses | <u>108,000</u> | - | <u>550,000</u> | <u>658,000</u> |
| Net change in fund balance | 56,655 | 14 | (8,136,581) | (8,079,912) |
| Fund balances: | | | | |
| Beginning of the year | <u>(33,209)</u> | - | <u>9,030,973</u> | <u>8,997,764</u> |
| End of the year | <u>\$ 23,446</u> | <u>\$ 14</u> | <u>\$ 894,392</u> | <u>\$ 917,852</u> |

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

Muegge Farms Metropolitan District No. 1
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022

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

| | |
|---|----------------|
| Net change in fund balance—total governmental funds | \$ (8,079,912) |
|---|----------------|

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 | 8,737,425 |
|----------------|-----------|

Long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--|-----------|
| Developer advances | (108,000) |
| Change in accrued interest on long-term debt | (495,499) |

| | |
|---|------------------|
| Change in net position of governmental activities | \$ <u>54,014</u> |
|---|------------------|

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

Muegge Farms Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2022

| | Original & Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-------------------------------|-----------|--|
| Revenues: | | | |
| Property taxes | \$ 39 | \$ 38 | \$ (1) |
| Specific ownership taxes | 2 | 3 | 1 |
| Total revenues | 41 | 41 | - |
| Expenditures: | | | |
| General government | | | |
| Accounting, admin management and audit | 43,000 | 29,271 | 13,729 |
| Treasurer's fees | 1 | 1 | - |
| Insurance | 3,500 | 4,463 | (963) |
| Legal and professional fees | 40,000 | 15,450 | 24,550 |
| Other expenses | 4,703 | 2,201 | 2,502 |
| Contingency | 25,000 | - | 25,000 |
| Total Expenditures | 116,204 | 51,386 | 64,818 |
| Excess revenue over (under) expenditures | (116,163) | (51,345) | 64,818 |
| Other sources (uses): | | | |
| Developer advances | 119,000 | 108,000 | (11,000) |
| Total other sources (uses) | 119,000 | 108,000 | (11,000) |
| Change in fund balance | 2,837 | 56,655 | 53,818 |
| Fund Balance—Beginning of year | 10,827 | (33,209) | (44,036) |
| Fund Balance—End of year | \$ 13,664 | \$ 23,446 | \$ 9,782 |

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

Muegge Farms Metropolitan District No. 1

Notes to Financial Statements

December 31, 2022

1. Definition of Reporting Entity

Muegge Farms Metropolitan District No. 1 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 16, 2018, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District's service area is located in the Town of Bennett, Adams County, Colorado. The District operates under an Amended and Restated Service Plan Approved by the Town Board of Trustees of the Town of Bennett, Colorado on March 24, 2020.

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

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

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 collected by the District. Both statements distinguish between governmental activities, which normally are supported by taxes and business-type activities, which rely to a significant extent on fees and charges for support.

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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

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.

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. Expenditures for capital outlay are shown as increases in assets and redemption of bonds 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 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. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation paid.

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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 general obligation debt of the governmental funds.

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 received from other governmental activities.

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.

The District amended its annual budget for the year ended December 31, 2022.

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

2. Summary of Significant Accounting Policies (continued)

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 always 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, sale 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 inflow 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.

Deferred Inflows 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 one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

Muegge Farms Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2022

2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include infrastructure assets (e.g. road, water, sewer improvements and similar items), are reported 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 estimated fair value at the date of donation.

The costs 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 are capitalized and depreciated over the remaining useful lives of the related capital assets, by the straight-line method.

Bond Issue Costs

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are legally segregated or are not subject to future appropriation. Assignments of fund balances indicate the Board of Director's intention for future utilization of such funds and are subject to change by management.

The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

Fund Balance Classifications

The total fund balance of the governmental funds was \$917,852 as of December 31, 2022. Of this balance, \$1,542 was restricted for emergencies, as required by TABOR, \$3,023 was non-spendable since it had already been used to prepay expenses of 2023, \$14 was restricted for debt service and \$894,392 was restricted for the payment of future capital related costs. The remaining balance of \$18,881 is unassigned.

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

| | |
|-----------------------------------|---------------------|
| Statement of Net Position | |
| Cash and Investments | \$ 55,644 |
| Cash and Investments - Restricted | <u>1,894,405</u> |
| Total Cash and Investments | <u>\$ 1,950,049</u> |

Cash and investments as of December 31, 2022, consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with Financial Institutions | \$ 1,018,997 |
| Investments | <u>931,052</u> |
| Total Cash and Investments | <u>\$ 1,950,049</u> |

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.

Funds on hand in the Debt Service Fund are assigned for future debt service.

The District had cash deposits of \$1,018,997 as of December 31, 2022, of which \$250,000 was FDIC insured.

Investments

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

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments (continued)

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 the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Local government investment pools*

As of December 31, 2022, the District had the following investments:

| Investment | Maturity | Fair Value |
|---|-----------------------------------|-------------------|
| Colorado Liquid Asset Trust (Colotrust) | Weighted average under 60 days | \$ 931,052 |
| Total | | <u>\$ 931,052</u> |

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

3. Cash and Investments (continued)

Colostrust

The Colorado Local Government Liquid Asset Trust (the Trust), is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE. All portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. COLOTRUST EDGE may also invest in securities with longer term maturities. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and PLUS+ are rates AAAM by Standard and Poors while COLOTRUST EDGE is rated AA Af. ColoTrust records its investments at fair value and the District records its investment in ColoTrust at net asset value as determined by fair value.

4. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2022 follows:

| | Balance December 31, <u>2021</u> | <u>Additions</u> | <u>Deletions</u> | Balance December 31, <u>2022</u> |
|---|---|-------------------------|-------------------------|---|
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ - | \$8,737,425 | \$ - | \$ 8,737,425 |
| Total Capital Assets, Not Being Depreciated | <u>\$ -</u> | <u>\$8,737,425</u> | <u>\$ -</u> | <u>\$ 8,737,425</u> |

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

5. Long-Term Liabilities

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2022:

| | Balance December 31, <u>2021</u> | <u>Additions</u> | <u>Reductions</u> | Balance December 31, <u>2022</u> | Due Within <u>One Year</u> |
|--------------------------|---|-------------------------|--------------------------|---|---|
| Series 2021(3) | | | | | |
| General Obligation Bonds | \$ 9,525,000 | \$ - | \$ - | \$ 9,525,000 | \$ - |
| Accrued interest on | | | | | |
| Series 2021(3) Bonds | <u>242,094</u> | <u>486,371</u> | <u>176</u> | <u>728,289</u> | <u>-</u> |
| | 9,767,094 | 486,371 | 176 | 10,253,289 | - |
| Developer Advances – | | | | | |
| Third Party Advances | 49,000 | 108,000 | - | 157,000 | - |
| Accrued Interest – | | | | | |
| Developer Advances | <u>4,171</u> | <u>9,304</u> | <u>-</u> | <u>13,475</u> | <u>-</u> |
| Total | <u>\$ 9,820,265</u> | <u>\$ 603,675</u> | <u>\$ 176</u> | <u>\$ 10,423,764</u> | <u>\$ -</u> |

Series 2021(3) Limited Tax General Obligation Bonds

On June 28, 2021, the District issued its \$9,525,000 Limited Tax General Obligation Bonds with an interest rate of 5% and a maturity of December 1, 2051. The Bonds are payable from pledged revenues, including property taxes derived from a mill levy of 55.277 mills, as adjusted for changes in assessment rates, and the specific ownership derived from such levy.

The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in multiples of \$1,000. All or any principal amount of the Bonds may be subject to mandatory sinking fund redemption by lot on December 1 of the applicable years and in the principal amounts specified in the Sale Certificate, at a redemption price equal to the principal amount thereof (with no redemption premium or yield maintenance fee), plus accrued interest to the redemption date.

To the extent all accrued interest and principal is not repaid by the December 1, 2051, maturity date, the District is required to levy taxes towards repayment of the bonds until December 1, 2061, when only remaining balances would be discharged.

As the bonds are to be repaid annually based on available funds, there is no specific amortization schedule and therefore a schedule of future debt service is not presented.

Muegge Farms Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2022

5. Long-Term Liabilities (continued)

Debt Authorization

The District has voted debt authorization for public improvements in the amount of \$3,600,000,000. In 2021, the District issued its \$9,525,000 Limited Tax General Obligation Bonds, Series 2021(3) (2021 Bonds). Thus, as of December 31, 2022, the District had \$3,590,475,000 of remaining, but unissued, voted debt authorization, for public improvements.

Notwithstanding the voted debt authorization, under the Service Plan, the maximum aggregate indebtedness for all Muegge Farms Metropolitan District Nos. 1 through 8, combined, is not to exceed \$360,000,000, which consists of \$180,000,000 for Public Improvements and \$180,000,000 for Regional Improvements. Thus, following the issuance of the District's 2021 Bonds, and the issuance of Muegge Farms Metropolitan District No. 3's \$10,431,000 Limited Tax General Obligation Bonds, Series 2021A(3) (the District No. 3 2021 Bonds), the remaining aggregate debt authorization under the Service Plan for all eight Muegge Farms Metropolitan Districts is \$340,044,000, which consists of \$160,044,000 for Public Improvements and \$180,000,000 for Regional Improvements.

6. Agreements

Amended and Restated Service Plan (District Nos. 1-4)

The District operates pursuant to an Amended and Restated Service Plan for Muegge Farms Metropolitan District Nos. 1-4, as approved by the Town Board of Trustees for the Town of Bennett, Colorado on March 24, 2020 (the Service Plan). The Service Plan contemplates the phasing of development for the service area for all Muegge Farms Metropolitan District Nos. 1 through 8, and the infrastructure needs of each phase.

It is contemplated that the Districts will cooperate with each other on certain infrastructure that benefits the taxpayers and inhabitants of the Service Area, and that each District will additionally have its own particular infrastructure needs.

Intergovernmental Agreement with the Town

On March 24, 2020, the District, Muegge Farms Metropolitan District No. 2 (District No. 2), Muegge Farms Metropolitan District No. 3 (District No. 3), and Muegge Farms Metropolitan District No. 4 (District No. 4), and the Town, entered into an Amended and Restated Intergovernmental Agreement (the Town IGA), which amends and restates an original, similar agreement dated January 1, 2019. The Town IGA incorporates the Service Plan and applicable special district provisions of Article XX of Chapter 16 of the Town Code (the Town Special District Code) into the Town IGA. Pursuant to the Town IGA, the District, District No. 2,

Muegge Farms Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2022

6. Agreements (continued)

District No. 3, and District No. 4 agreed to comply with all provisions of the Service Plan and the Town Special District Code.

Debt Allocation Intergovernmental Agreement

On May 26, 2021, the District, District No. 2, and District No. 3 (the Active Districts) entered into an Amended and Restated Debt Allocation Intergovernmental Agreement for Muegge Farms Metropolitan Districts (the Debt Allocation IGA), under which the Active Districts acknowledge and agree that pursuant to the Service Plan, the Districts are limited in their aggregate authority to issue Debt in the maximum amount of the Total Debt Limit. The Parties agree that, based upon current development projections, the Total Debt Limit shall be allocated as between the Districts, so that each District has the authority to issue Debt under the Service Plans for Public Improvements or Regional Improvements, as applicable, up to the following respective maximum amounts:

In June 2022, the District acknowledged the First Amendment to the Debt Allocation IGA, under which Muegge Farms Metropolitan District No. 4 agreed to the debt allocations set forth in the Debt Allocation IGA.

| District | Public Improvement Debt Allocation | Regional Improvement Debt Allocation | Total Debt Allocation |
|---|---|---|----------------------------------|
| District No. 1 | \$ 15,000,000 | \$ 15,000,000 | \$ 30,000,000 |
| District No. 3 | \$ 15,000,000 | \$ 15,000,000 | \$ 30,000,000 |
| District No. 2 and the other Districts | \$ 150,000,000 | \$ 150,000,000 | \$ 300,000,000 |

Facilities Acquisition and Reimbursement Agreement

On February 10, 2021, the District, Clayton Properties Group II, Inc. (Clayton) and MGV Investments, LLC (MGV) entered into a Facilities Acquisition and Reimbursement Agreement, under which the parties agreed that MGV or Clayton will construct Public Improvements and that the District will reimburse MGV or Clayton, as applicable, for the cost of construction or organization with bond proceeds following cost certification. The parties also agreed that in the event bond proceeds may not be enough to fully reimburse MGV and Clayton for the costs of construction or organization, District No. 2 would contribute certain sums to the District for that purpose under the Cost Sharing Agreement (discussed below).

Muegge Farms Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2022

6. Agreements (continued)

Cost Sharing Intergovernmental Agreement

On February 10, 2021, the District and District No. 2 entered into a Cost Sharing Agreement, under which District No. 2 agreed to contribute up to \$2,232,158 to the District for Public Improvements serving both Districts' service areas (the District No. 2 Contribution).

The District No. 2 Contribution consists of amounts District No. 2 anticipates receiving over the course of time from the Town under a Sales Use Tax Sharing Agreement between District No. 2 and the Town, and certain amounts generated from Muegge Farms, LLC and MGV under a Construction Shortfall Agreement between District No. 2, Muegge Farms, LLC, and MGV.

Operation Funding Agreements

On March 18, 2021, with an effective date of February 10, 2021, the District and Clayton entered into a Multiple-Fiscal Year Operation Funding Agreement (the "Original Clayton OFA"), under which Clayton agreed to advance funds necessary to fund, or directly pay, the District's operations, maintenance and administrative expenses on a periodic basis as needed for the fiscal years 2021 – 2023, in an aggregate amount not to exceed \$100,000. The District agreed to repay Clayton for any such advances, including simple interest that accrues on each advance from the date of deposit into the District's account or from the date of direct payment by Clayton, until paid, at the rate of eight percent (8%) per annum.

On June 8, 2021, the Board of Directors of the District approved an Amended and Restated Multiple-Year Operation Funding Agreement between the District and Clayton, and on October 21, 2021, the Board of Directors of the District approved a First Amendment to the Amended and Restated Multiple-Year Operation Funding Agreement between the District and Clayton (collectively, as so amended and restated, the First Proposed Amended Clayton OFA). Clayton did not sign the First Proposed Amended Clayton OFA; thus, the Original Clayton OFA, with the \$100,000 aggregate shortfall for fiscal years 2021 - 2023 was the effective operations funding agreement between the District and Clayton. Given that the First Proposed Amended Clayton OFA was not finalized, on October 22, 2022, with an effective date of February 10, 2021, the District and Clayton entered into an Amended and Restated Multiple-Year Operation Funding Agreement (the Amended and Restated Clayton OFA), which amends and restates the Original Clayton OFA in its entirety. Under the Amended and Restated Clayton OFA, Clayton agreed to advance funds necessary to fund, or directly pay, the District's operations, maintenance and administrative expenses on a periodic basis as needed for the fiscal years 2021 – 2024, in an aggregate amount not to exceed \$228,000. The District agreed to repay Clayton for any such advances, including simple interest that accrues on each advance from the date of deposit into the District's account or from the date of direct payment by Clayton, until paid, at the rate of eight percent (8%) per annum.

Muegge Farms Metropolitan District No. 1

Notes to Financial Statements (continued)

December 31, 2022

6. Agreements (continued)

On December 12, 2018, with an effective date of November 29, 2018, the District and MGV entered into a 2018-2019 Operation Funding Agreement, as amended by that certain Amendment to 2018-2019 Operation Funding Agreement, dated October 30, 2019, and by that certain Second Amendment to 2018-2019 Operation Funding Agreement, dated November 30, 2020 (as so amended, the MGV OFA). Under the MGV OFA, MGV agreed to advance funds necessary to fund, or directly pay, the District's operations, maintenance and administrative expenses on a periodic basis as needed for the fiscal years 2018 – 2021, up to the aggregate shortfall amount of \$120,000. The District agreed to repay MGV for any such advances, including simple interest that accrues on each advance from the date of deposit into the District's account or from the date of direct payment by MGV, until paid, at the rate of eight percent (8%) per annum.

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). 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, 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.

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.

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

Muegge Farms Metropolitan District No. 1
Notes to Financial Statements (continued)
December 31, 2022

excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). At December 31, 2022, the District had an emergency reserve of \$1,542. 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.

Supplementary Information

Muegge Farms Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Debt Service Fund
For the Year Ended December 31, 2022

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|----------------------------|-------------------------|---------------|---|
| Revenue: | | | | |
| Revenues | \$ 188 | \$ 5,188 | \$ 193 | \$ (4,995) |
| Total Revenue | 188 | 5,188 | 193 | (4,995) |
| Expenditures: | | | | |
| Treasurer's fees | 3 | 3 | 3 | - |
| Interest | 185 | 185 | 176 | 9 |
| Contingency | - | 5,000 | - | 5,000 |
| Total Expenditures | 188 | 5,188 | 179 | 5,009 |
| Excess Revenue Over (Under) | | | | |
| Expenditures | - | - | 14 | 14 |
| Change in fund balance | - | - | 14 | 14 |
| Fund Balance—Beginning of year | - | - | - | - |
| Fund Balance—End of year | \$ - | \$ - | \$ 14 | \$ 14 |

Muegge Farms Metropolitan District No. 1
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2022

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--|---------------|---|
| Revenues: | | | |
| Net investment income | \$ 1,000 | \$ 109,392 | \$ 108,392 |
| Total revenues | 1,000 | 109,392 | 108,392 |
| Expenditures: | | | |
| General government | | | |
| Accounting, admin management and audit | 10,000 | 11,911 | (1,911) |
| Legal and professional fees | 10,000 | 10,998 | (998) |
| Other expenses | 15,000 | 35,639 | (20,639) |
| Capital projects | 20,903,476 | 8,737,425 | 12,166,051 |
| Total Expenditures | 20,938,476 | 8,795,973 | 12,142,503 |
| Excess revenue over (under) expenditures | (20,937,476) | (8,686,581) | 12,250,895 |
| Other sources (uses): | | | |
| Developer advances | 10,810,733 | - | (10,810,733) |
| Intergovernmental contributions | 1,100,900 | 550,000 | (550,900) |
| Total other sources (uses) | 11,911,633 | 550,000 | (11,361,633) |
| Change in fund balance | (9,025,843) | (8,136,581) | 889,262 |
| Fund Balance—Beginning of year | 9,025,843 | 9,030,973 | 5,130 |
| Fund Balance—End of year | \$ - | \$ 894,392 | \$ 894,392 |

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

Muegge Farms Metropolitan District No 1
Schedule of Assessed Valuation, Mill Levy, and
Property Taxes Collected
For the Year Ended December 31, 2022

| Year Ended <u>December 31,</u> | Prior Year Assessed Valuation for Current Year Property <u>Tax Levy</u> | Mills Levied | | | Total Property Taxes | | Percent Collected to Levied |
|-----------------------------------|--|----------------|-------------------------|------------------------------------|----------------------|------------------|-----------------------------------|
| | | <u>General</u> | <u>Debt Service</u> | <u>Contractual Obligations</u> | <u>Levied</u> | <u>Collected</u> | |
| 2020 | 5,140 | 66.797 | 0.000 | 0.000 | 343 | 343 | 100.00% |
| 2021 | 5,140 | 66.797 | 0.000 | 0.000 | 343 | 343 | 100.00% |
| 2022 | 3,200 | 11.056 | 55.277 | 1.106 | 216 | 215 | 99.54% |

Estimated for the year
 ending 12/31/2023 \$ 3,670 11.059 55.292 1.106 \$ 248

Note:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

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