

Eagle Brook Meadows Metropolitan District No. 1

BASIC FINANCIAL STATEMENTS

December 31, 2022

Table of Contents

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	6
STATEMENT OF ACTIVITIES	7
BALANCE SHEET	8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES	10
NOTES TO FINANCIAL STATEMENTS	11
REQUIRED SUPPLEMENTAL INFORMATION	
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE	21
INDIVIDUAL FUND SCHEDULES	
DEBT SERVICE FUND – BUDGETARY COMPARISON SCHEDULE	23
CAPITAL PROJECTS FUND – BUDGETARY COMPARISON SCHEDULE	24



email: info@ltjcpa.com
web: ltjcpa.com
main phone/fax: 303-663-1400
toll-free phone/fax: 888-959-9640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Eagle Brook Meadows Metropolitan District No. 1
Loveland, Colorado

Opinion

We have audited the financial statements of governmental activities and each major fund of the Eagle Brook Meadows Metropolitan District No. 1 (the "District"), 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Eagle Brook Meadows Metropolitan District No. 1 as of December 31, 2022, 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 ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit,
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements,
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

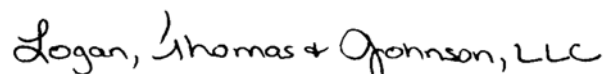
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Directors has omitted the Management's Discussion and Analysis information 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted with the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 individual fund schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.



Castle Rock, Colorado
September 28, 2023

BASIC FINANCIAL STATEMENTS

Eagle Brook Meadows Metropolitan District No. 1

STATEMENT OF NET POSITION

December 31, 2022

	<u>Governmental Funds</u>
ASSETS	
Cash and investments	\$ 84,023
Accounts receivable	1,009
Property taxes receivable	152
Construction deposits	96,250
Due from County Treasurer	1,036
Prepaid expenses	11,813
Capital assets, net of accumulated depreciation	<u>22,820,821</u>
 Total assets	 <u>23,015,104</u>
LIABILITIES	
Accounts payable	35,518
Retainage payable	52,806
Deferred developer advances	86,684
Deferred property tax revenue	152
Due to other districts	2,612
Other payable	901
Accrued interest payable	798,754
Long-term liabilities	
Due within one year	<u>10,028,405</u>
 Total liabilities	 11,005,832
Net Position	
Net investment in capital assets	12,792,416
Restricted for emergencies	3,200
Unrestricted	<u>(786,344)</u>
 Total net position	 <u>\$ 12,009,272</u>

The accompanying notes are an integral part of the financial statements

Eagle Brook Meadows Metropolitan District No. 1

STATEMENT OF ACTIVITIES

For the Year ended December 31, 2022

Functions/Programs	<u>Expenses</u>	<u>Program revenues Charges for services</u>	<u>Net (expense) revenues and changes in net position</u>
Primary Government			
Governmental Activities			
General Government	\$ 1,091,308	\$ 106,740	\$ (984,568)
Interest and related costs on long-term debt	-	-	-
Total governmental activities	<u>\$ 1,091,308</u>	<u>\$ 106,740</u>	(984,568)
General revenues			
Taxes			690
Interest			<u>663</u>
Total general revenues			<u>1,353</u>
Changes in net position			(983,215)
Net position, beginning			<u>12,992,487</u>
Net position, ending			<u>\$ 12,009,272</u>

The accompanying notes are an integral part of the financial statements

Eagle Brook Meadows Metropolitan District No. 1

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2022

	General	Debt Service	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 84,023	\$ -	\$ -	\$ 84,023
Accounts receivable	1,009	-	-	1,009
Property taxes receivable	152	-	-	152
Construction deposits	96,250	-	-	96,250
Due from County Treasurer	3	1,033	-	1,036
Prepaid expenses	11,813	-	-	11,813
	<u>11,813</u>	<u>-</u>	<u>-</u>	<u>11,813</u>
Total assets	<u>\$ 193,250</u>	<u>\$ 1,033</u>	<u>\$ -</u>	<u>\$ 194,283</u>
LIABILITIES				
Accounts payable	\$ 34,485	\$ 1,033	\$ -	\$ 35,518
Retainage payable	52,806	-	-	52,806
Deferred developer advances	86,684	-	-	86,684
Deferred property tax revenue	152	-	-	152
Due to other districts	2,612	-	-	2,612
Other payables	901	-	-	901
	<u>901</u>	<u>-</u>	<u>-</u>	<u>901</u>
Total liabilities	177,640	1,033	-	178,673
FUND BALANCE				
Nonspendable	11,813	-	-	11,813
Restricted	3,200	-	-	3,200
Unassigned	597	-	-	597
	<u>597</u>	<u>-</u>	<u>-</u>	<u>597</u>
Total fund balance	<u>15,610</u>	<u>-</u>	<u>-</u>	<u>15,610</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 193,250</u>	<u>\$ 1,033</u>	<u>\$ -</u>	

Amount 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 in the funds	22,820,821
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include developer advances (\$10,028,405) and accrued interest (\$798,754)	<u>(10,827,159)</u>
Net position of governmental activities	<u>\$ 12,009,272</u>

The accompanying notes are an integral part of these financial statements

Eagle Brook Meadows Metropolitan District No. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year ended December 31, 2022

	General	Debt Service	Capital Projects	Total
Revenue				
Charges for services	\$ 106,740	\$ -	\$ -	\$ 106,740
Taxes	690	-	-	690
Interest and other income	663	-	-	663
Total revenue	108,093	-	-	108,093
Expenditures				
Current				
General government	391,012	-	10,220	401,232
Capital outlay	-	-	1,327,411	1,327,411
Debt service				
Interest	-	-	-	-
Depreciation	-	-	-	-
Total expenditures	391,012	-	1,337,631	1,728,643
Excess of revenues over (under) expenditures	(282,919)	-	(1,337,631)	(1,620,550)
Other sources and (uses)				
Developer advances	278,861	-	1,337,631	1,616,492
Developer advances repayments	-	-	-	-
Total other sources and (uses)	278,861	-	1,337,631	1,616,492
CHANGES IN FUND BALANCES	(4,058)	-	-	(4,058)
Fund balance				
Beginning of the year	19,668	-	-	19,668
End of the year	<u>\$ 15,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,610</u>

The accompanying notes are an integral part of these financial statements

Eagle Brook Meadows Metropolitan District No. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENT 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 changes in fund balance - total government funds	\$	(4,058)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the capital outlay for the year.		1,327,411
Debt proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increased long-term liabilities in the statement of net position and does not effect the statement of activities.		(1,650,000)
Repayment of long-term debt principal and proceeds from borrowing are recorded as expenditures and revenues in the governmental funds, but the repayment reduces or increases long-term liabilities in the statement of net position. This amount includes change in accrued interest of		(656,568)
Change in net position of governmental activities	\$	<u>(983,215)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Eagle Brook Meadows Metropolitan District No. 1 (the “District”) was established to provide financing for the construction, acquisition, and operation and maintenance of water, wastewater, streets, and other public improvement. The District is governed by a five-member Board of Directors elected by the eligible electors.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

1. Reporting Entity

In accordance with governmental accounting standards, the District considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from the statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

3. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Governmental Funds

The governmental-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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For the purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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.

In the fund financial statements, 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 District, except for those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the financial resources in regards to additional debt financing.

The *Capital Projects Fund* accounts for the financial resources utilized in acquiring or constructing capital assets.

4. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, unrestricted demand deposits, money market accounts, and investments with original maturities of three months or less, as applicable.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

5. *Prepaid Expenses*

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

6. *Capital Assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method, landscaping and signage 25 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

7. *Long-Term Obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are report as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Deferred Outflows / Inflows of Resources*

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

In addition to the liabilities, that statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

9. *Property Taxes*

Property taxes are levied on December 15 and attach an enforceable lien on the respective property on January 1. Taxes are payable in full on or before April 30 or in two installments on February 28 and June 15. The County Treasurer collects and remits the property taxes to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

10. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of District management's estimates that may affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses as applicable, during the reporting period. These estimates are based upon District management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

11. *Net Position*

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

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

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

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

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

12. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

12. *Fund Balance Classification - continued*

Non-spendable – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact, At December 31, 2022 the District reports non-spendable fund balance in the form of prepaid expenses.

Restricted – represents amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

Committed – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance The District did not have any committed resources as of December 31, 2022.

Assigned – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or a District official delegated the authority to assign amounts,

Unassigned – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

NOTE B – BUDGET INFORMATION

On or before October 15, the District's Manager submits a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year, prior to December 31 of the previous fiscal year. The budget is legally

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE B – BUDGET INFORMATION - *continued*

adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

NOTE C – CASH AND INVESTMENTS

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

As of December 31, 2022, all of the District’s funds were held in eligible public depositories. Throughout the year the District’s cash on deposit may have exceeded the \$250,000 per customer Federal Deposit Insurance Corporation insurance limit. The District has not experienced any losses and believes it is not exposed to any significant credit risk.

NOTE D – CAPITAL ASSETS

The changes in the District’s capital assets for the year ended December 31, 2022, are as follows:

	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-depreciable Construction in progress	\$ 21,493,410	\$ 1,327,411	\$ -	\$ 22,820,821
Accumulated depreciation				
Landscaping and signage	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Net capital assets	<u>\$ 21,493,410</u>	<u>\$ 1,327,411</u>	<u>\$ -</u>	<u>\$ 22,820,821</u>

Eagle Brook Meadows Metropolitan District No. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE E – LONG-TERM DEBT

The following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022:

	December 31, 2021	Additions	Payments	December 31, 2022	Due within One Year
Developer advances					
- operating	\$ 497,266	\$ 278,861	\$ -	\$ 776,127	\$ 776,127
Developer advances					
- capital	7,881,139	1,371,139	-	9,252,278	9,252,278
Accrued interest	142,186	656,568	-	798,754	798,754
	<u>\$ 8,520,591</u>	<u>\$ 2,306,568</u>	<u>\$ -</u>	<u>\$ 10,827,159</u>	<u>\$ 10,827,159</u>

Developer Advances

On December 20, 2018, the District entered into an Improvement Acquisition, Advance and Reimbursement Agreement (“Capital Agreement”) with Front Range Investment Holdings, LLC (“Front Range”) pursuant to which Front Range agreed to construct public improvements for acquisition by the District or advance funds to the District for the District’s construction of public improvements, and the District agreed to repay Front Range for such costs including the District’s organizational costs incurred by Front Range, in an amount not to exceed \$14,000,000 (“Debt Limit”). To evidence the District’s reimbursement obligation for costs incurred by, or funds advanced from, Front Range, the District issued a subordinate promissory note (“Original Note”) to Front Range in an amount not to exceed the Debt Limit, with an interest rate of the Prime Interest Rate (as reported on the date of issuance by The Wall Street Journal) plus 3% up to a maximum total interest rate of 8.5%, simple interest, and a maturity date of December 19, 2058. Repayment of the note is subject to annual appropriations by the District. On October 18, 2019, the District and Front Range entered into a First Amendment to the Capital Agreement for purposes of increasing the amount of funds to be incurred or advanced by Front Range to the District to an amount not to exceed \$17,500,000. In connection with this First Amendment, the District refunded the Original Note and issued a new subordinate promissory note on the same date, to Front Range, in an amount not to exceed \$17,500,000, at the same interest rate and with the same maturity date as the Original Note with repayment subject to annual appropriations by the District (“2019 Note”); provided, however, the District may use bond proceeds to repay the 2019 Note in an amount not to exceed the Debt Limit, and any amounts in excess of the Debt Limit, may be repaid with any other legally available revenues of the District. On January 1, 2021 the District entered into a Second Amendment to the Capital Reimbursement Agreement to increase the amount of advances or acquisition costs to be received or incurred by the District, up to an amount not to exceed \$26,000,000. On the same date, the District refunded the 2019 Note and issued a new subordinated note in an amount not to exceed \$26,000,000 with the same terms as the 2019 note. On November 4, 2021, the District and Front Range entered into a Third Amendment to Capital Agreement to allow the District to receive advances through December 31, 2022 and to modify assignment terms. The 2021 Note and a new subordinate note issued to Front Range on the same terms as the 2021 Note. On November 15, 2022, the District and Front Range entered into the Fourth Amendment to the Capital Agreement to extend the term for Front Range to advance funds to the District through December 31, 2023.

On December 20, 2018, the District entered into a 2019 Funding and Reimbursement Agreement (“Operating Agreement”) with Front Range pursuant to which Front Range agreed to advance funds to the District during 2019, in an amount not to exceed \$100,000, to pay costs associated

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE E – LONG-TERM DEBT - *continued*

Developer Advances - continued

with the District's operations and maintenance and other budgeted general fund expenditures. To evidence the District's reimbursement obligation for the advance funds, the District issued a subordinate promissory note to Front Range in an amount not to exceed \$100,000. No interest accrues on the note. The terms of the note provide for a maturity date of December 31, 2019, and further provide that in the event the District cannot repay all amounts due and owing at the maturity date, the District shall, refund the note by issuing a new note on similar terms, with a maturity date of December 31, 2021. On November 4, 2021, the District and Front Range entered into a First Amendment to Operating Agreement to increase the amount of funds to be advanced to the District in an amount not to exceed \$750,000 through December 31, 2022 and revised terms of issuing subordinate notes. On the same date, the District refunded the 2019 Note to Front Range in an amount not to exceed \$750,000 with a maturity date of December 19, 2058, with no interest.

On November 15, 2022, the District and Front Range entered into a Second Amendment to the Operating agreement to increase the amount of advances to be received from Front Range to \$1,000,000 through December 31, 2023. On the same date, the District refunded the 2021 Note and issued a new subordinate note to Front Range in an amount not to exceed \$1,000,000, with a maturity date of December 19, 2058, with no interest ("2022 Note"). On February 2, 2023, the District and Front Range entered into a Third Amendment to the Operating Agreement to increase the amount of advances to be received from Front Range to \$1,100,000 through December 31, 2023. On the same date, the District refunded the 2022 Note and issued a new subordinate note to Front Range in an amount not to exceed \$1,100,000 with a maturity date of December 19, 2058, with no interest.

Authorized Debt

Per the Consolidated Service Plan for District, the maximum amount of debt that the District together with Eagle Brook, Meadows Metropolitan District No. 2 and 3 may incur is \$14,000,000. As of December 31, 2022, District No. 3 had issued \$14,000,000 of debt permitted under the service plan.

NOTE F – RELATED PARTIES

All of the members of the Board of Directors are under contract to purchase taxable property from Front Range Investment Holding., LLC. The District owes Front Range \$10,028,405 in note principal and \$798,754 in accrued interest as of December 31, 2022.

NOTE G – RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2022. 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 the past three years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE G – RISK MANAGEMENT – *continued*

The District pays annual premiums to the Pool for liability, property, and public officials' 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 Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE H – COMMITMENTS AND CONTINGENCIES

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. At December 31, 2022, the emergency reserve of \$3,200 was recorded in the General Fund.

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 calculation of the fiscal year spending limits may require judicial interpretation.

NOTE I – MANAGEMENT'S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District's financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through September 28, 2023, which is the date the financial statements and accompanying notes were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION

Eagle Brook Meadows Metropolitan District No. 1

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

For the Year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance
Revenue				
Charges for services	\$ 104,967	\$ 109,617	106,740	\$ (2,877)
Taxes	157	157	690	533
Interest and other income	-	17	663	646
Total revenue	105,124	109,791	108,093	(1,698)
Expenditures				
Current				
General government				
Accounting and audit	50,845	50,845	50,845	-
District management	68,000	68,049	75,384	(7,335)
ARC reviews	38,750	34,000	33,353	647
Insurance	8,850	7,907	7,907	-
Legal expenses	25,000	25,000	26,080	(1,080)
Office, dues and other	46,291	43,322	38,277	5,045
Payroll	6,459	1,200	-	1,200
Utilities	60,000	91,892	81,321	10,571
Repairs and maintenance	75,757	79,410	77,845	1,565
Contingency	5,000	5,000	-	5,000
Total expenditures	384,952	406,625	391,012	15,613
Excess of revenues over (under) expenditures	(279,828)	(296,834)	(282,919)	13,915
Other financing (uses)				
Developer Advances	287,634	289,500	278,861	(10,639)
CHANGE IN FUND BALANCE	7,806	(7,334)	(4,058)	3,276
Fund Balance				
Beginning of the year	12,194	12,194	19,668	7,474
End of the year	\$ 20,000	\$ 4,860	\$ 15,610	\$ 10,750

The accompanying notes are an integral part of these financial statements

INDIVIDUAL FUND SCHEDULES

Eagle Brook Meadows Metropolitan District No. 1

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

For the Year ended December 31, 2022

	Original and Final Budget	Actual	Variance
Revenues			
Charges for services	\$ -	\$ -	\$ -
Taxes	-	-	-
Interest and other income	574	-	574
Total revenues	<u>574</u>	<u>-</u>	<u>574</u>
Expenditures			
Current			
Other	574	-	(574)
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>574</u>	<u>-</u>	<u>(574)</u>
Excess of revenues over (under) expenditures	-	-	-
Other financing (uses)			
Transfers in (out)	-	-	-
CHANGE IN FUND BALANCE	-	-	-
Fund Balance			
Beginning of the year	-	-	-
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Eagle Brook Meadows Metropolitan District No. 1

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE

For the Year ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Interest and other income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current				
General government				
District management	15,000	15,000	10,220	(4,780)
Capital outlay	470,041	1,562,831	1,327,411	(235,420)
Contingency	50,000	50,000	-	(50,000)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>535,041</u>	<u>1,627,831</u>	<u>1,337,631</u>	<u>(290,200)</u>
Excess of revenues over (under) expenditures	(535,041)	(1,627,831)	(1,337,631)	(290,200)
Other financing (uses)				
Developer advances	535,041	1,627,831	1,337,631	(290,200)
Bond proceeds	-	-	-	-
Bond issue costs	-	-	-	-
Developer advance repayment	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources	<u>535,041</u>	<u>1,627,831</u>	<u>1,337,631</u>	<u>(290,200)</u>
CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance				
Beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>