

Prairie Song Metropolitan District No. 8

**Financial Statements
December 31, 2023**





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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Prairie Song Metropolitan District No. 8
Town of Windsor, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major funds of Prairie Song Metropolitan District No. 8 as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of Prairie Song Metropolitan District No. 8, as of December 31, 2023 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 Prairie Song Metropolitan District No. 8 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 the Prairie Song Metropolitan District No. 8'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 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 Prairie Song Metropolitan District No. 8'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 Prairie Song Metropolitan District No. 8'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 an opinion on the financial statements that collectively comprise Prairie Song Metropolitan District No. 8's financial statements as a whole. The supplementary information section 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 31, 2024

BASIC FINANCIAL STATEMENTS

Prairie Song Metropolitan District No. 8
Statement of Net Position
December 31, 2023

| Assets | Governmental Activities |
|--|------------------------------------|
| Cash and investments | \$ 9,956 |
| Accounts receivable | 131,758 |
| Prepaid expense | 9,199 |
| Construction in progress | <u>13,211,447</u> |
| Total assets | <u>13,362,360</u> |
| Liabilities | |
| Accounts payable | 49,711 |
| Retainage payable | 81,884 |
| Accrued interest | 101,794 |
| Non-current liabilities: | |
| Due in more than one year | <u>13,143,068</u> |
| Total liabilities | <u>13,376,457</u> |
| Deferred Inflows of Resources | |
| Deferred property taxes | <u>10</u> |
| Total deferred inflows of resources | <u>10</u> |
| Net Position | |
| Restricted for: | |
| Emergency | 4,567 |
| Capital projects | 345 |
| Unrestricted | <u>(19,019)</u> |
| Total Net Position | <u>(14,107)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 13,362,360</u> |

The accompanying notes are an integral part of these financial statements

Prairie Song Metropolitan District No. 8
Statement of Activities
For the Year Ended December 31, 2023

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u> |
|---|-------------------|--|---|---|--|
| | | <u>Charges for</u> <u>Services and</u> <u>other fees</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Capital</u> <u>Grants and</u> <u>Contributions</u> | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 152,240 | \$ 1,598 | \$ - | \$ 777,590 | \$ 626,948 |
| Interest and related costs on long term debt | 511,756 | - | - | - | (511,756) |
| | <u>\$ 663,996</u> | <u>\$ 1,598</u> | <u>\$ -</u> | <u>\$ 777,590</u> | <u>\$ 115,192</u> |
| Property taxes | | | | | \$ 10 |
| Other income | | | | | 251 |
| Total general revenues | | | | | <u>260</u> |
| Change in net position | | | | | 115,452 |
| Net position - beginning of year | | | | | <u>(129,559)</u> |
| Net position - end of year | | | | | <u>\$ (14,107)</u> |

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

Prairie Song Metropolitan District No. 8
Governmental Funds Balance Sheet
and Reconciliation of Fund Balances to Net Position
December 31, 2023

| | General | Capital Projects | Total Governmental Funds |
|--|-----------|---------------------|--------------------------------|
| Assets | | | |
| Cash and investments - restricted | \$ 9,612 | \$ 344 | \$ 9,956 |
| Accounts receivable | 22,441 | 109,317 | 131,758 |
| Prepaid expense | 9,199 | - | 9,199 |
| Total assets | 41,252 | 109,661 | 150,913 |
| Liabilities | | | |
| Accounts payable | 22,279 | 27,432 | 49,711 |
| Retainage Payable | - | 81,884 | 81,884 |
| Total liabilities | 22,279 | 109,316 | 131,595 |
| Deferred Inflows of Resources | | | |
| Deferred property taxes | 10 | - | 10 |
| Total Deferred Inflows of Resources | 10 | - | 10 |
| Fund Balances | | | |
| Restricted: | | | |
| Emergency reserves | 4,567 | - | 4,567 |
| Capital projects | - | 345 | 345 |
| Nonspendable | 9,199 | - | 9,199 |
| Unassigned | 5,197 | - | 5,197 |
| Total Fund Balances | 18,963 | 345 | 19,308 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| | \$ 41,252 | \$ 109,661 | \$ 150,913 |
| Total governmental fund balance per above | | | \$ 19,308 |
| Amounts reported for governmental activities in the Statement of Net Position excluded from the governmental fund balance because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | | 13,211,447 |
| 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 include: | | | |
| Developer advance | | | (13,143,068) |
| Accrued interest | | | (101,794) |
| Net position of governmental activities | | | \$ (14,107) |

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

Prairie Song Metropolitan District No. 8
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2023

| | <u>General</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|------------------|-----------------------------|---|
| Revenues | | | |
| Property taxes | \$ 10 | \$ - | \$ 10 |
| Service fees | 1,598 | - | 1,598 |
| Transfer from District 4 | - | 777,590 | 777,590 |
| Interest & Other income | <u>57</u> | <u>194</u> | <u>251</u> |
| Total Revenues | <u>1,665</u> | <u>777,784</u> | <u>779,449</u> |
| Expenditures | | | |
| Accounting | 44,445 | - | 44,445 |
| District Management | 37,100 | - | 37,100 |
| Elections | 3,439 | - | 3,439 |
| Property Transfers/Title | 840 | - | 840 |
| Consistent Communication | 490 | - | 490 |
| ARC Reviews | 525 | - | 525 |
| Insurance & Bonds | 9,023 | - | 9,023 |
| Legal | 49,446 | - | 49,446 |
| Office, Dues & Other | 2,932 | - | 2,932 |
| Transfer to District 4 - Trustee Fees | 4,000 | - | 4,000 |
| Capital expenditures | <u>-</u> | <u>13,211,447</u> | <u>13,211,447</u> |
| Total Expenditures | <u>152,240</u> | <u>13,211,447</u> | <u>13,363,687</u> |
| Other Financing Sources and Uses | | | |
| Developer advance principal repayment | - | (365,012) | (365,012) |
| Developer advance interest repayment | - | (412,578) | (412,578) |
| Developer advance revenue | <u>154,879</u> | <u>13,211,598</u> | <u>13,366,477</u> |
| Total Other Financing Sources and Uses | <u>154,879</u> | <u>12,434,008</u> | <u>12,588,887</u> |
| Net change in fund balances | 4,304 | 345 | 4,649 |
| Fund balances: | | | |
| Beginning of the year | <u>14,659</u> | <u>-</u> | <u>14,659</u> |
| End of the year | <u>\$ 18,963</u> | <u>\$ 345</u> | <u>\$ 19,308</u> |

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

Prairie Song Metropolitan District No. 8
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, 2023

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

| | | |
|---|----|-------|
| Net change in fund balance—total governmental funds | \$ | 4,649 |
|---|----|-------|

In the statement of activities, capital outlay is not reported as an expenditure:

| | | |
|-------------------------|--|------------|
| Capital asset additions | | 13,211,447 |
|-------------------------|--|------------|

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 do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.

| | | |
|--|--|-----------------|
| Developer advances | | (13,366,477) |
| Developer advance payments | | 365,012 |
| Accrued Interest - Change in Liability | | <u>(99,178)</u> |

| | | |
|---|----|----------------|
| Change in net position of governmental activities | \$ | <u>115,453</u> |
|---|----|----------------|

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

Prairie Song Metropolitan District No. 8
Statement of Revenue, Expenditures
and Changes in Fund Balances—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2023

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------------------------|------------------|---|
| Revenue | | | |
| Operating advances | \$ 189,187 | \$ 154,879 | \$ (34,308) |
| Property & Specific Ownership Taxes | 11 | 10 | (1) |
| Services Fees | 1,618 | 1,598 | (20) |
| Interest & Other Income | <u>100</u> | <u>57</u> | <u>(43)</u> |
| Total Revenue | <u>190,916</u> | <u>156,544</u> | <u>(34,308)</u> |
| Expenditures | | | |
| Accounting | 38,000 | 44,445 | (6,445) |
| District Management | 40,700 | 37,100 | 3,600 |
| Election | 2,500 | 3,439 | (939) |
| District Engineer | 2,500 | - | 2,500 |
| Operations and maintenance | 24,500 | - | 24,500 |
| Property Transfers/Title | 2,500 | 840 | 1,660 |
| Consistent Communication | 3,000 | 490 | 2,510 |
| ARC Reviews | 2,000 | 525 | 1,475 |
| Insurance & Bonds | 8,000 | 9,023 | (1,023) |
| Legal | 45,000 | 49,446 | (4,446) |
| Office, Dues & Other | 4,000 | 2,932 | 1,068 |
| Transfer to District 4 - Trustee Fees | 6,000 | 4,000 | 2,000 |
| Contingency | <u>10,000</u> | <u>-</u> | <u>10,000</u> |
| Total Expenditures | <u>188,700</u> | <u>152,240</u> | <u>36,460</u> |
| Net change in fund balances | <u>2,216</u> | <u>4,304</u> | <u>2,088</u> |
| Fund Balances—Beginning of year | <u>11,908</u> | <u>14,659</u> | <u>2,751</u> |
| Fund Balances—End of Year | <u>\$ 14,124</u> | <u>\$ 18,963</u> | <u>\$ 4,839</u> |

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

Prairie Song Metropolitan District No. 8

Notes to Financial Statements

December 31, 2023

1. Definition of Reporting Entity

Prairie Song Metropolitan District No. 8 (the District), was organized as Tacinjala Metropolitan District No. 2 on November 18, 2014, pursuant to the Colorado Special District Act (Title 32) and the Service Plan for Tacinjala Metropolitan District Nos. 1-5 approved by the Town of Windsor (the "Town") on June 6, 2014, as subsequently amended and restated as the Consolidated Service Plan ("Service Plan") for Prairie Song Metropolitan District Nos. 1-9 (the "Prairie Song Districts"), approved by the Town on September 27, 2021. The District's name was officially changed to Prairie Song Metropolitan District No. 4 pursuant to a Court Order dated September 29, 2021. The District's service area is located in Windsor, Colorado. The District is a quasi-municipal governmental entity governed by an elected Board of Directors with the power to impose property taxes and other fees and charges for services and facilities within its service area and is an independent unit of local government, separate and distinct from the Town, established to provide for the planning, design, acquisition, construction, installation and financing of the Public Improvements (as defined in the Service Plan and herein) from the proceeds of Debt that may be issued by the District and to provide for the ownership, operation and maintenance of any Public Improvement not otherwise accepted for ownership, operation or maintenance by the Town or another governmental entity.

2. Summary of Significant Accounting Policies

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected

governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

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 governmental activities of the District.

The statement of net activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program or general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Revenues and expenditures are recorded on the accrual basis of accounting.

Governmental Fund Financial Statements

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period, or soon thereafter, to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Governmental Funds

For 2023, the District has two Governmental Funds:

- *The General Fund* is the general operating fund of the District. It is used to account for all of the financial resources not accounted for and reported in another fund,
- *The Capital Projects Fund* is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays,

Deposits

District management considers cash and cash equivalents to include cash on hand, demand deposits, and money market accounts. Investments, as applicable, of the District are reported at fair value.

District management may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and investment flexibility. As applicable, investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid expenses in both the government-wide and fund financial statements using the consumption method.

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 acquisition value at the date of donation. Property and equipment of the District is depreciated using the straight-line method over the estimated useful lives.

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.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, various receivables, and accounts payable. The District estimates that the fair value of these financial instruments, as of December 31, 2023, does not differ materially from the aggregate carrying values used in the accompanying financial statements.

The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

Use of Estimates

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

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

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.

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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur.

Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties, constitutional provisions, or enabling legislation
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Restricted Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

Net Position

The District's net position represents the difference between the District's assets, liabilities, and deferred inflows of resources. The District reports two categories of net position, as follows:

Restricted net position - net position is considered restricted if its 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 positions are available, the District will use the most restrictive net position first.

3. Budget Information

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with State Budget Law, the District's Board of Directors holds a public hearing in the fall of each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditure 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 total appropriation can only be modified upon completion of a budget amendment approved following a public hearing on the same. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures of the above two components and is available for general use by the District.

4. Cash and Investments

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

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

4. Cash and Investments (continued)

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

As of December 31, 2023, the District's cash deposits had a carrying and bank balance of \$9,956, all of which was FDIC insured.

Restricted Cash and Cash Equivalents

The District's restricted cash and cash equivalents pertain to the amount of cash and cash equivalents equal to the cash held within the Capital Projects Fund.

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but adheres to state statute requirements.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District has no investments as of December 31, 2023.

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

5. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2023 follows:

| | <u>Balance at December 31, 2022</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at December 31, 2023</u> |
|---|---|----------------------|--------------------|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Construction in progress | \$ - | \$ 13,211,447 | \$ - | \$ 13,211,447 |
| Total capital assets, not being depreciated | - | 13,211,447 | - | 13,211,447 |
| Total capital assets, Net | <u>\$ -</u> | <u>\$ 13,211,447</u> | <u>\$ -</u> | <u>\$ 13,211,447</u> |

6. Long-Term Liabilities

The following is an analysis of changes in long-term liabilities for the year ending December 31, 2023:

| | <u>December 31, 2022</u> | <u>Additions</u> | <u>Retirements</u> | <u>December 31, 2023</u> | <u>Within One Year</u> |
|--------------------------------|------------------------------|----------------------|--------------------|------------------------------|----------------------------|
| Developer Advances - Operating | \$ 109,657 | \$ 186,825 | \$ - | \$ 296,482 | \$ - |
| Developer Advances - Capital | - | 13,211,598 | 365,012 | 12,846,586 | - |
| Total | <u>\$ 109,657</u> | <u>\$ 13,398,423</u> | <u>\$ 365,012</u> | <u>\$ 13,143,068</u> | <u>\$ -</u> |

| | <u>Balance at December 31, 2022</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance at December 31, 2023</u> | <u>Due Within One Year</u> |
|--|---|-------------------|--------------------|---|------------------------------------|
| Interest on Developer Advances - Operating | \$ 2,611 | \$ 11,287 | \$ - | \$ 13,898 | \$ - |
| Interest on Developer Advances - Capital | - | 500,474 | 412,578 | 87,896 | - |
| Total | <u>\$ 2,611</u> | <u>\$ 511,761</u> | <u>\$ 412,578</u> | <u>\$ 101,794</u> | <u>\$ -</u> |

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

6. Long-Term Liabilities (continued)

Developer Advances

On June 20, 2023, the District entered into an Infrastructure Financing and Reimbursement Agreement (Agreement) for capital costs with the developer, Prairie Song Development, LLC, whereby the District agreed to reimburse the Developer for capital advances which had been, or were to be, made to the District. The maximum loan amount pursuant to the Agreement is \$11,000,000. On May 19, 2023 there was an amendment to increase the maximum loan amount to \$11,151,774. Interest accrues on the advances made to the District at the rate of the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve, 30-Year constant maturity, published by Refinitiv at "<http://www.tm3.com>", plus 250 basis points per annum, from the date any such advance is made, simple interest, adjusted quarterly, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance or the date of repayment of such amount. The obligations to reimburse Prairie Song Development under the Agreement do not constitute multiple fiscal year financial obligations of the District and are subject to annual appropriation by the District. As of December 31, 2023, the amount due and owing under the Agreement is \$12,846,586.

7. Net Position

As of December 31, 2023, the District had a government-wide net position deficit of \$(14,107). This deficit was created as the District used funding from the Developer to construct capital assets. The District can expect to eliminate the deficit net position as the District pays down its debt.

8. Related Parties

The Developer of the property which constitutes the District is Prairie Song Development, LLC. All of the members of the Board are employees, owners or are otherwise associated with the Developers, and have disclosed any potential conflicts of interest in taking action on matters brought before the Board.

Prairie Song Metropolitan District No. 8
Notes to Financial Statements (continued)
December 31, 2023

9. Risk Management

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2023. The Pool is an organization created by intergovernmental agreements to provide property, liability, public officials' liability, boiler, and other coverage to its members.

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

10. Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Supplementary Information

Prairie Song Metropolitan District No. 8
Statement of Revenue, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Capital Projects Fund
For the Year Ended December 31, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenue: | | | | |
| Interest & Other | \$ - | \$ 194 | \$ 194 | \$ - |
| Transfer from District No. 4 | - | - | 777,590 | 777,590 |
| Total Revenue | <u>-</u> | <u>194</u> | <u>777,784</u> | <u>777,590</u> |
| Expenditures: | | | | |
| District management | - | 8,888 | - | 8,888 |
| Capital expenditures | - | 13,276,175 | 13,211,447 | 64,728 |
| Total Expenditures | <u>-</u> | <u>13,285,063</u> | <u>13,211,447</u> | <u>73,616</u> |
| Excess of revenues over (under) expenditures | <u>-</u> | <u>(13,284,869)</u> | <u>(12,433,663)</u> | <u>851,206</u> |
| Other financing sources (uses) | | | | |
| Developer advance principal repayment | - | - | (365,012) | (365,012) |
| Developer advance interest repayment | - | - | (412,578) | (412,578) |
| Developer advance revenue | - | 13,285,213 | 13,211,598 | (73,615) |
| Total other financing sources (uses) | <u>-</u> | <u>13,285,213</u> | <u>12,434,008</u> | <u>(851,205)</u> |
| Net change in fund balance | <u>-</u> | <u>344</u> | <u>345</u> | <u>1</u> |
| Fund Balance—Beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance—End of Year | <u>\$ -</u> | <u>\$ 344</u> | <u>\$ 345</u> | <u>\$ 1</u> |